



# **Lambeth**

**2010/2011**

**Unaudited Statement of Accounts**

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## FOREWORD TO THE ACCOUNTS

This document sets out the London Borough of Lambeth's Annual Accounts for the year 2010/11, prepared for the first time on an International Financial Reporting Standard (IFRS) basis. The financial position is regularly monitored and reviewed throughout the year and this Statement of Accounts brings together the financial results of all the Council's operations for the year and its position as at 31 March 2011.

The purpose of this foreword is to offer an easily understandable guide to the most significant matters reported in the accounts. It provides an explanation in overall terms of the Council's financial position, and assists in the interpretation of the accounting statements.

It also contains a commentary on the major influences affecting the Council's income and expenditure and cash flow, and information on its financial needs and resources. It is not the purpose of the foreword to comment on the policies of the Council, rather to explain the financial facts.

This foreword provides a guide to the Council's accounts for the year ended 31 March 2011. The Accounts and Audit Regulations 2003 (as amended) require the Statement of Accounts to be approved by the Chief Finance Officer by 30 June 2011. In Lambeth that is the Executive Director of Finance and Resources, Mike Suarez.

The accounts are set out on pages 49 to 152.

This section consists of a technical explanation of accounting conventions used in the Statements followed by a practical description of the main conclusions to be drawn from the accounts.

The statements have been prepared in accordance with proper accounting practices and all relevant statutory requirements. Proper accounting practices represent compliance with the following:

- The Local Government Act 2003 (as amended)
- All relevant International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) interpretations as adopted by the European Union.
- The Code of Practice on Local Authority Accounting in the UK 2010/11 issued by the CIPFA/LASAAC Joint Committee, a body recognised by the Accounting Standards Board (ASB)
- The Best Value Accounting Code of Practice 2010/11 (BVACOP issued by CIPFA) that establishes proper practice for consistent financial reporting below the Statement of Accounts level and has statutory recognition

The Statement of Accounts comprises:

**The Statement of Responsibilities for the Statement of Accounts** sets out the Council's and the Chief Finance Officer's responsibilities for the statement of accounts. It also carries the certification of the Chief Finance Officer.

**The Annual Governance Statement** is not part of the accounts but is shown alongside them. The statement sets out the main components of internal control and the framework within which the Council's internal control is managed and reviewed, including the arrangements for internal audit. It also reports on significant weaknesses and areas for improvement identified and the actions taken to rectify or strengthen these areas. The statement is signed by the Chief Executive and the Leader of the Council.

**Statement of Accounting Policies** explains the basis for the recognition, measurement and disclosure of figures and events in the accounts and is intended to aid the reader's understanding of the accounts.

### Core Financial Statements

The **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (those that can be applied to fund expenditure or to reduce Council Tax) and other reserves which represent technical accounting adjustments. The statement reconciles the Surplus or

(Deficit) on the Provision of Services to the General Fund and Housing Revenue Account balances which are used for council tax setting and dwellings rent setting purposes.

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

The **Comprehensive Income and Expenditure Statement** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Taxation is raised to cover expenditure in accordance with Council Tax regulations; this may be different from the accounting cost e.g. provision for capital debt repayment. The taxation position is shown in the Movement in Reserves Statement.

The **Balance Sheet** is fundamental to the understanding of the Council's financial position as at 31 March 2011. It shows the balances and reserves at the Council's disposal, its long-term indebtedness, the net assets employed in its operations, together with summarised information on the fixed assets held. It includes the Housing Revenue Account and the Council's own share of the Collection Fund, but excludes the Pension Fund and Trust Funds.

The **Cash Flow Statement** demonstrates the relationship between the total movements of the Council's assets and liabilities during the financial year and cash received and paid in external transactions for revenue and capital purposes.

The **Notes to the Primary Statements of the Accounts** provide a more detailed analysis of the entries in the Movement in Reserves Statement, the Comprehensive Income and Expenditure Account, the Balance Sheet and Cash Flow Statements.

### Supplementary Financial Statements

The Council is required by law to account separately for the provision of Council housing. The **Housing Revenue Account (HRA)** shows the major elements of housing revenue expenditure; repairs and maintenance, administration and capital and financing costs and how the expenditure is financed from rents, grants and other income. The account is supported by the Statement of Movement on the HRA Balance, which reflects the items which should be included or excluded from the Income and Expenditure Account in order to arrive at the HRA balance which affects the level of rent set by the Council.

The **Collection Fund** is a statutory statement relating to the collection of income received from Council Tax and business rates [known as National Non-Domestic Rates (NNDR)]. NNDR income is passed on to Central Government after allowing for the Council's cost of collection. The Council Tax income is distributed between the Council and the Greater London Authority in accordance with their precept requirements at the time of setting the Council Tax. The Council's share of income from the Collection Fund is shown in the Comprehensive Income and Expenditure Account.

The **Pension Fund** accounts show the contributions to the Council's Pension Fund, the benefits paid from it and the financial position as at 31 March 2011. The Council acts as trustee for the pension and trust funds, which are separate from all of the other accounts and are therefore not included in the Balance Sheet.

### Changes to the 2010/11 Statement of Accounts

The Statement of Accounts for 2010/11, as stated, is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10. This has also necessitated the preparation of a third balance sheet showing the opening position of 2009/10. Further details are in the notes to the accounts.

Furthermore the main financial statements have changed with the former Income and Expenditure Account and the Statement of Total Recognised Gains and Losses being combined in the new Comprehensive Income and

Expenditure Statement (CIES). The former Statement of Movement on the General Fund Balance and the Statement of Movement on the Housing Revenue Account Balance have been subsumed in the new Movement in Reserves Statement.

There are now additional requirements regarding Segment Reporting: In the analysis of income and expenditure by service on the face of the CIES (as specified by the Best Value Accounting Code of Practice) the headings do not coincide with the Council's internal organisation structure. As such reconciliations have been prepared between the CIES figures and the management reports on directorate performance to improve understanding. Details are in the notes to the accounts.

The main areas of accounting change are

**Grants and contributions for capital purposes:** These have been recognised immediately as income in the CIE on receipt rather than being deferred and released to revenue to match depreciation as was previously the case.

**Leases:** Property leases are classified and accounted for as separate leases of land and buildings.

**Investment properties:** These are measured at fair value, with gains and losses recognised in Surplus or Deficit rather than through the revaluation reserve. As the Council holds no investment properties this change has had no impact on the statements.

**Impairment losses:** Impairment losses on a revalued assets have been recognised in the Revaluation Reserve (these entries have been reflected in the Movement in Reserves Statement) to the extent that the impairment has not exceeded the amount in the Revaluation Reserve for the same asset (i.e. up to the historical cost of the asset). Any balance has been charged to the Surplus or Deficit on the Provision of Services within the CIES.

**Non-current assets held for sale:** This is a new classification introduced by The Code. Assets are classified as such where their carrying amount is to be recovered principally through a sale transaction rather than through continued use. A number of specific criteria apply to this classification i.e. an active sale must be sought, which is realistically achievable within one year. Assets failing to meet these criteria have been re-categorised as Property, Plant and Equipment.

**Employee benefits:** All employee benefits have been accounted for as they are earned by the employee resulting in accruals for items such as holiday pay and time-off-in-lieu.

**Group Accounts:** The definition of associates is based on the ability to control rather than actual control and necessitating a possible change in the group boundary. As the Council does not need to prepare group accounts this change has had no impact on the statements.

### **Council Performance**

The Council produces a quarterly performance digest for review by the Strategic Leadership Board and Cabinet. The following sets out some of the key achievements for the year:

- The percentage of residents who believe the Council and police successfully tackle anti-social behaviour and crime has increased from 46% in 2009/10 to 55% in 2010/11. This is very positive result, especially as the fear of crime remains the biggest concern for Lambeth's citizens.
- A greater percentage of residents are satisfied with the Council and local area compared to last year (55% with the council and 81.1% with the local area in 2010/11 compared to 47% and 79% respectively in 2009/10). A greater proportion of residents also feel they can influence decisions in their locality (47% in 2010/11 compared to 43% in 2009/10). As the council progresses its ambitions to be the country's first co-operative council and borough it is ever more important that our citizens feel empowered to change how local services are delivered.
- Attainment levels at primary and secondary schools have continued to improved in 2010/11 (the academic year ending in Summer 2010), with many national targets being achieved, including 53.5% of pupils achieving 5 or more A\*-C grades at GCSE, including English and Maths. A larger percentage of children progressed by two levels at Key Stages 1 and 2 in both English (87% this year against 85.9% in 2009/10) and Maths (84% this year against 80% in 2009/10) compared to this time last year.

- We have also continued to tackle educational disadvantage with the percentage of children in care reaching level 4 in Maths at Key Stage 2 increasing from 33% in 2009/10 to 48% in 2010/11 and the gap in achievement between pupils eligible for free school meals and their peers at Key Stage 4 reducing from 13.2% last year to 8.5% in 2010/11.
- The Ofsted inspection also found 51% of childcare settings to be good or outstanding (up from 47% in 2009/10). Ofsted noted that "successful arrangements for involving children and young people in designing, planning and reviewing local services are well established in Lambeth." This recognises a good achievement for the borough and demonstrates our drive and commitment to continually improve our children's services and engage and listen to our young citizens.
- The council over-achieved its target for the number of affordable homes delivered by 18% (701 units against a target of 595) and the number of empty council properties has seen a substantial reduction (by 54%) from 891 to 410. The trend in temporary accommodation occupation continues downward and has fallen by 20% over the last year (from 1,599 households in 2009/10 to 1,276 this year) although we did not meet our target.
- 2010/11 saw a large increase in the percentage of clients receiving self directed support (40% compared to 6% in 2009/10). This is a tremendous achievement and demonstrates our ongoing commitment to giving our most vulnerable citizens more control and choice over their lives and the support they receive.
- Although not meeting our target for the percentage of small and medium sized enterprise (SME) supplier invoices paid within 10 days (we achieved 67.32% against a target of 80%), the actual number of SME invoices paid within 10 days in 2010/11 increased to 21,986 compared to 8,389 in 2010/11 (an increase of 162%).
- 2010/11 saw the amount of residual waste per household reduced to 469kg against a target of 496kg. This is a significant improvement on our performance in 2009/10 and 2008/9, which saw residual waste per household of 501kg and 527kgs respectively. The percentage of household waste recycled or composted in 2010/11 was 28.10%, an over-achievement on our target of 27% and better performance than 2009/10 and 2008/09 (27.23% and 25.5% respectively). A new residual waste collection policy took effect from 4 April 2011 which aims to reduce further the amount of residual waste and increase recycling rates.
- We have reduced the levels of agency staff within the organisation and at the end of 2010/11, the percentage of social care agency staff stood at 21.18% against our target of 40% and the percentage of non social care staff stood at 5.81% against our target of 10%.

## **Lambeth Co-operative Council**

Looking forward the Council is committed to becoming a Co-operative Council by 2014. What does this mean?

The aim is to transform public service provision by handing power from the provider to the user. It seeks to do this by putting co-operation and mutualism at the heart of how Lambeth Council delivers its services. In practice this means the council working in partnership with citizens to design and deliver public services which meet their specific local needs, incentivising citizens to play a more active role in their local community and more co-operation with a wide range of service providers (be they social enterprises, co-operatives, public sector organisations, businesses, faith organisations and other third sector organisations) to deliver tailored services in different areas.

The Co-operative Commission, a group including the Leader - Councillor Steve Reed, other senior councillors and experts in several sectors, produced its report 'The Co-operative Council – sharing power: a new settlement between citizens and the state' on 28<sup>th</sup> January 2011 which summarised main findings from the consultation exercise undertaken and set out a number of pilot projects designed to put ideas into action. The big challenge is to take this agenda forward in a time of unprecedented Government cuts in funding for local services, meeting citizens' aspirations with a reducing level of resources.

## **Transparency Agenda and publication of spending over £500**

In a letter dated 4 June 2010 and sent to all English local authorities the Secretary of State for Communities and Local Government committed local authorities to publish items of spending over £500 by January 2011, as part of the Coalition government's "transparency agenda."

To comply with this commitment, since January 2011 the council has published a monthly summary of all such commercial payments on its website: [www.lambeth.gov.uk/opendata](http://www.lambeth.gov.uk/opendata).

Certain payments have been excluded from publication for the purpose of compliance with data protection legislation. This disclosure has no effect on any of the statements or disclosure notes in this document.

## **Summary of financial performance in the year**

The Council incurs both revenue and capital expenditure in the year. Revenue expenditure covers items which are consumed within one year e.g. salaries and wages, rents, rates, fuel, supplies and repairs and is financed mainly from government grants, NNDR, Council Tax and fees and charges. In contrast capital expenditure covers items with a life longer than a year such as the building of a new secondary school and is financed by grants from government or other sources, receipts from the sale of assets, borrowing and some contributions from revenue.

The Government announced in-year cuts in respect of revenue grants of £6.5m on 10<sup>th</sup> June 2010. Having already set in train its spending plans for the year, this was a difficult situation to deal with. The Council operates its budgets on a strict cash limit basis, i.e. it has no contingency to call on for unexpected events. Plans were put in place to deal with this pressure, which were successful, reflected by the fact the General Fund outturned under budget.

The financial position of the Council is regularly monitored and reviewed throughout the financial year and this statement represents the final results. It shows that at the end of 2010/11, the Council achieved surpluses on both its General Fund and Housing Revenue Account in 2010/11, in the sum of £0.258m and £0.649m respectively.

## **Key Statistics**

- The General Fund balance as at 31 March 2011 (excluding schools balances) stands at £29.0m compared with a balance of £28.7m at the start of the year.
- The Locally Managed Schools (LMS) balance as at 31 March 2011 stands at £12.1m compared with a balance of £14.5m at the start of the year.
- The Housing Revenue Account balance stands at a surplus of £0.70m at 31 March 2011 compared with £0.05m at the start of the year.
- The Council's share of the Collection Fund balance as at 31 March 2011 stands at a £5.5m surplus compared with a deficit balance of £1.0m at the start of the year.
- The Pension Fund net assets balance (market value) as at 31 March 2011 stands at £770.2m compared with a balance of £765.0m at the start of the year.
- The Capital Receipts Reserve as at 31 March 2011 stands at £28.8m compared to £31.0m at the start of the year.
- Long-term debt outstanding as at 31 March 2011 remains unchanged at £600.4m compared to the start of the year
- The Revaluation Reserve as at 31 March 2011 stands at £248.0m compared to £229.1m at the start of the year.

## **Looking Forward**

Whilst it is an expected outcome to operate within financial boundaries, it is clear, looking to 2011/12 and beyond, that resource constraints will increase significantly. In light of funding reductions, the Council has had to find £37.0m new savings on its General Fund when setting the 2011/12 Council Tax with further significant savings required for future years. This is an unprecedented step change in terms of the magnitude of savings required and carries risks. To mitigate the position, a 'Savings Tracker' has been developed which does what it says, and will be reported to the Strategic Leadership Board on a monthly basis to give the Board assurance that our programme of savings is on track. Where it appears that savings proposals will not be achieved, alternative options will be

explored, informed by the cumulative impact and also by whether budgets are underspending in other areas. The Council also maintains a General Fund balance of £29m, which is 9.3% of the net General Fund budget and is within the range of between 5% and 10% recommended by the Council's Section 151 Officer. It is important to maintain this 'buffer' at prudent levels, as any failure to deliver 2011/12 or future years' savings will have to be met from this fund.

This year Central Government announced significant cuts in grant funding to local authorities. Of the total reduction of £1.16bn Lambeth's share was £28.0m. The Government's announcement in January 2011 on the Local Government Finance Settlement determined the level of grant funding available to local authorities for 2011/12 and provisional amounts for 2012/13. The impact of the announcement led to an in-depth review of the Council's Medium Term Financial Strategy (MTFS). As a result the Council has identified £37.0m of savings in 2011/12 and a further £29.0m in 2012/03.

### **2009/10 Closedown Review**

The Corporate Committee received the District Auditor's statutory report to "those charged with governance", (the ISA260 report) setting out those matters arising from his audit that he wishes to draw to the attention of Members on 23<sup>rd</sup> September 2010. The 2009/10 audit was successful with the Accounts receiving an unqualified opinion within statutory timescales. There are no material issues outstanding from the 2009/10 audit.

### **2010/11 Audit Plan**

Deloitte LLP, the Council's External Auditor appointed by the Audit Commission, presented its Audit Plan for the audit of the 2010/11 accounts to the Corporate Committee on 26 January 2011. The main focus points for the audit were identified as follows:-

- Revaluation of properties.
- Valuation of the gross pension liability.
- Recognition of revenue grant income.
- Accounting for capital grants.
- Bad debt provisions.
- Lease accounting.
- Holiday pay and other compensated short-term absences.
- Segment reporting.

These items either arose from observations made during the 2009/10 audit or because of new accounting requirements for 2010/11. The Council has improved processes during the year and planned for the additional workload as part of the closedown process to ensure the treatment of the foregoing items meets quality standards.

### **Disclosures in the Statements**

#### **Group Accounts**

The Council has assessed that there is no requirement to prepare group accounts this year as the Council does not have interests in group entities which are material to these financial statements. The introduction of an Arms Length Management Organisation – Lambeth Living Ltd - for the management of Council dwellings on 1 July 2008 required a careful review of the Council's position. It was determined that the transactions and balances were not such that they would materially impact information given in these accounts on the overall financial performance and position of the Council, and accordingly there was no requirement to prepare group accounts.

#### **Contingent Assets and Liabilities**

There are contingent liabilities disclosed in the accounts in relation to claims being made in respect of an employment tribunal claim and various legal disputes. There is also a contingent asset disclosure in respect of outstanding items under a claim lodged with Her Majesty's Revenue & Customs for overpaid VAT based on the House of Lords decision in the joint cases of Michael Fleming v HMRC and Conde Nast Publications Ltd v HMRC.

### **2009/10 Outturn**

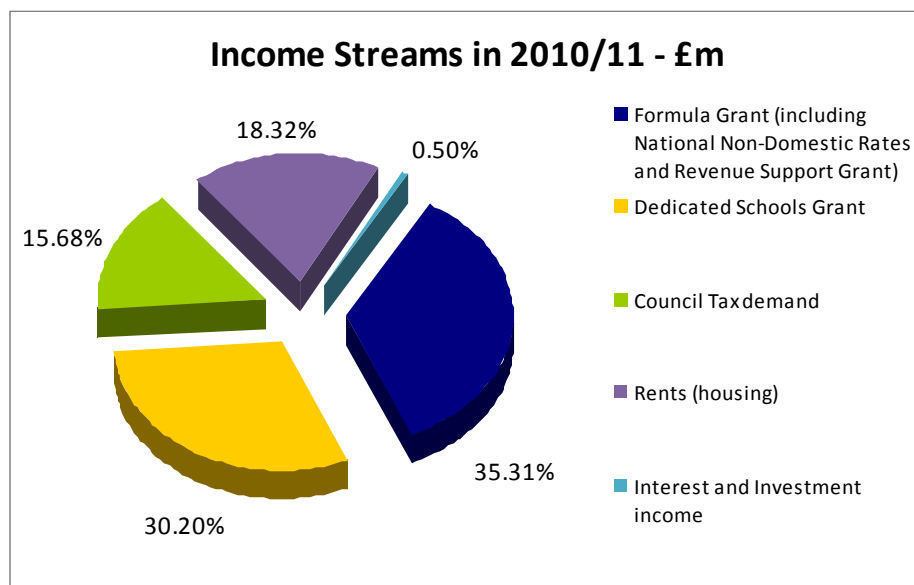
#### **Revenue**

The following table and chart set out some of the Council's significant income streams during the year which were broadly as expected.



Table 1

Income Stream	Budget £m	Actual £m
Formula Grant (including National Non-Domestic Rates and Revenue Support Grant)	214	214
Dedicated Schools Grant	184	183
Council Tax demand	95	95
Rents (housing)	111	111
Interest and Investment income	3	3
<b>Total</b>	<b>607</b>	<b>606</b>



As the accounts follow the prescribed CIPFA format the Comprehensive Income and Expenditure Statement cannot easily be related to the Council's operational management structure. Reconciliations of the two positions are provided in notes to the main statements (note 1 to the CIES – Segment Reporting – on page 68). A brief summary of the outturn at departmental level is set out in the table below:

Table 2

Directorate	Final Cash Limits * £000	Outturn adjusted £000	(Under)/ Overspend £000
Adult & Community Services	133,828	133,731	(97)
Children & Young People's Service	141,794	143,977	2,183
No Recourse to Public Funds	2,817	3,073	256
Office of the Chief Executive	(3,511)	(3,540)	(29)
Finance & Resources	13,212	12,166	(1,046)
Housing Regeneration & Environment	69,889	71,898	2,009
Technical accounting adjustments**	(48,150)	(51,684)	(3,534)
<b>Total General Fund***</b>	<b>309,879</b>	<b>309,621</b>	<b>(258)</b>
<b>Housing (HRA)</b>	<b>(2,029)</b>	<b>(649)</b>	<b>1,380</b>

\* - Revised budgets include adjustments for central support recharges, capital charges and decisions regarding requests for budget carried forward and provisions.

\*\* - Entries that fall below the Cost of Services line in the Comprehensive Income and Expenditure Statement. As these items fall outside the responsibility of service departments the budgets are held corporately. Examples include interest payable and receivable, IAS19 entries that are not charged to services such as pension interest costs, Minimum Revenue Provision and amortisation of premiums/discounts. Interest payable was £38.3m compared with a budget of £40.0m.

\*\*\* - The outturn position shown above is that to which departments were held account. Any subsequent adjustments required as part of the audit of the Statements of Account are not reflected in these figures.

The total underspend on General Fund services was £0.3m. The Housing Revenue Account overspent by £1.4m.

The main variances from the budget are summarised below.

**Adult and Community Services** – The department was able to deliver within its resources through robustly managing domiciliary care activity and third-party placement budgets delivering a review of high-cost placements and other efficiencies.

**Children and Young People's Services** – The effect of the "Southwark Judgement" and of the UK Border Agency failing to fund Unaccompanied Asylum Seeking Children have been to increase demand on placements. This, together with pressures on targeted action services has resulted in the department overspending its budget by 2%. Going forward the department is working with the Council's housing and legal services to set up effective protocols in relation to prevention and assessment in dealing with homeless 16 and 17 year olds. Also better gate-keeping measures are being put in place to control entry into the services.

**Office of the Chief Executive** – This is a small office and it delivered within its resources with a small underspend.

**Finance and Resources** – The underspend relates to a drawdown on the insurance fund (compared to a budgeted contribution) as a result of a re-balancing of the split between the General Fund and HRA in response to audit and actuarial requirements.

**Housing Regeneration & Environment** – The HRE General Fund overspent its budget. Pressures on parking income were again the main factor although the overall shortfall has reduced to £2.0m from £11.8m last year. The cost of reorganising the department in year has also had an impact.

**Housing Revenue Account** – The Housing Revenue Account achieved a surplus of £0.6m surplus compared to a budgeted surplus of £2.0m. The main contributing factors to the shortfall have been an increase in the bad debt provision against housing rents and a shortfall in expected leaseholder service charges. These issues will be addressed structurally in 2011/12 and future years.

### **Capital**

In February 2010 Council approved a three year capital budget of £458.9m, £170.8m of which was profiled for 2010/11. Resources available were £422.2m, leaving a funding gap of £36.7m. The Lambeth Emergency Budget in July reduced this gap to £23.5m. Since then there has been a comprehensive review of the programme with the view to stopping a number of council-funded projects, with others to be put in a pipeline and financed as and when resources become available. The process has taken into account the extent of health and safety issues, contractual commitments and any impact on revenue.

### **2010/11 Programme**

The review coupled with a reprofiling exercise resulted in a capital programme of £100.5m for the year. The final outturn of £91.2m represents 90.7% of the budget – broadly the same percentage of spend to budget as achieved in 2009/10.

The position for the year is set out below:

Table 3

Directorate	Budgets	Outturn	(Under) / Overspend	Percentage (Under)overspend
	£000	£000	£000	%
Adult and Community Services	4,426	2,895	(1,531)	(35)
Children & Young People's Services	17,533	17,683	150	1
Building Schools for the Future	16,547	17,374	827	5
Finance and Resources	1,337	1,178	(159)	(12)
Housing Regeneration & Environment	19,663	13,764	(5,899)	(30)
Housing Revenue Account	41,038	38,283	(2,755)	(7)
<b>Departmental Total</b>	<b>100,544</b>	<b>91,177</b>	<b>(9,367)</b>	<b>(9)</b>

The overspend on Building Schools for the Future project resulted from unexpected costs relating to asbestos work and has been funded from savings achieved on other schemes. The Housing Regeneration and Environment department accounts for the bulk of the underspend (92%) which has resulted from delays in obtaining planning approvals and/or letting the relevant contracts.

As at 31 March 2011 internal sources of funding available to meet capital expenditure and other financial commitments including PFI schemes totalled £33.2m of useable capital receipts. External sources totalled £62.0m of unapplied capital grants including section 106 developers' contributions, £25.2m from the major repairs reserve and borrowing of £9.78m. Further funding is expected in 2011/12 and future years.

#### Capital Spending Plans

The Council's capital spending plans include borrowing of £36.6 million supported through either housing subsidy or formula grant. The council has decided to finance this amount through its cash balances, rather than new external debt. As a consequence, the only major financing transaction in 2010/11 was the repayment of £8.7 million of PWLB loans that matured during the year.

The council's major fixed asset investments were in its housing (£38.3 million), schools (£30.7 million) and highways (£10.4 million) assets. The major disposals were within the housing portfolio where £12.8 million of void properties were sold.

#### In Summary

The ratio of current assets to current liabilities is 1.4:1 and is the same as last year's ratio per the IFRS restated accounts. Long-term borrowing has remained unchanged at £600.4m. The only repayment of debt during the year was of short-term PWLB borrowing of £8.7m which had matured.

The assessed deficit on the pension fund fell by 36% from £746m to £477m in 2010/11. The drop was due to a change in the basis of valuation as per the Chancellor's budget statement of 22 June 2010 linking future pension increases to the Consumer Price Index (CPI) and not the Retail Price Index (RPI) as previously. A combination of increased employer's and employees' contributions and improved controls over early retirement, together with the possibility of improved stock market returns means that the deficit should be made good over the next 20 years, in line with actuarial advice.

The Council's pension fund's net assets increased by £5m during the year compared with an increase of £224m last year. The stabilisation of the stock market following the impact of the credit crunch and the implementation of the Pension Fund's new investment strategy have underpinned the level of increase.

The Council's share of the collection fund balance is a surplus of £5.5m after a transfer to the General Fund of £0.8m and a distribution to the Greater London Authority of £2.2m.

The Housing Revenue Account has increased its surplus position to £0.7m from £0.05m in 2009/10. The Government has announced indicative levels of funding (£101m) to be made available between 2011/12 and 2014/15 to deal with the backlog in meeting the Decent Homes standard. Further work is underway in respect of the HRA becoming self-financing with regard to optimising the level of capital investment in council dwellings

After what was one of the toughest years for the Council in 2010/11 the General Fund has stabilised and stands at £29.0m, providing some small assurance against a tough outlook for local finances.

**Mike Suarez**  
**Executive Director of Finance and Resources**

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs (section 151 of the Local Government Act 1972). In this authority, the Executive Director of Finance and Resources is the Section 151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the statement of accounts.

### The Chief Financial Officer's Responsibilities

The Chief Financial Officer (CFO) is responsible for the preparation of the Authority's statement of accounts which, in terms of CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2011.

In preparing this statement of accounts, the CFO has:

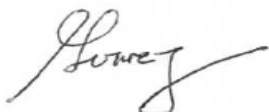
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority Code.

The CFO has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### Certification of the Chief Financial Officer

I hereby certify that the statement of accounts presents a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2011.



**Mike Suarez**

Executive Director of Finance and Resources  
Section 151 Officer  
London Borough of Lambeth



**Cllr David Malley**  
Chair – Corporate Committee

As the person presiding I hereby certify that this statement of accounts has been reviewed by the Corporate Committee at its meeting of 29 June 2011.

## **Independent Auditors' Report to the Members of the London Borough of Lambeth**

## **Independent Auditors' Report to the Members of the London Borough of Lambeth**

## ANNUAL GOVERNANCE STATEMENT

### 1. Scope of responsibility

- 1.1 Lambeth Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Lambeth Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Lambeth Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at Lambeth's Local Code of Corporate Governance. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4 (3) of the Accounts and Audit Regulations 2011 in relation to the publication of an annual governance statement.

### 2. The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure but can help to achieve policies, aims and objectives and can therefore provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Lambeth Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to then manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Lambeth Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

### 3. The governance framework

- 3.1 This section describes the key elements of the systems and processes that comprise the authority's governance arrangements including arrangements for:
- 3.2 Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users
- 3.2.1 The vision of Lambeth Council, as set out in the Corporate Plan, is to ensure that Lambeth becomes "a diverse, dynamic and enterprising borough at the heart of London". This is underpinned by three Council 'promises' that determine the way in which services will be delivered and the approach to the Council's residents. The Council's promises are to:
- Deliver quality and value for money
  - Tackle inequality and social exclusion
  - Listen to and engage with our customers.
- 3.2.2 The Council has identified six corporate priorities which set out the ways in which it will begin to deliver this vision. These are:



- A safer Lambeth with strong communities
- More opportunities for children and young people
- Better housing and flourishing local economies
- Respect for the environment
- Developing personalised care services
- Serving our customers well

3.2.3 In order to communicate the key elements of the Corporate Plan, a series of 'in-house' communication campaigns have been mounted, including a poster campaign in Council buildings. There is also a 'making a difference' section of the Council's intranet, which was developed to link to the Corporate Plan/priorities to action on the ground and demonstrate to staff how the Council is working to achieve results against our priorities. Externally, the Council published a double-page article in its residents' newspaper 'Lambeth Life', which illustrated the Council's performance achievements against each of the Corporate Plan objectives, and summarised the Council's budget for the same financial year (2009/10). In addition, the Council tax booklet, which was sent out to residents with billing for 2011/12, contained information about performance achievements from 2009/10 and 2010/11 to illustrate where public money was being spent, and the impact it has had.

### 3.3 Reviewing the Council's vision and its implications for the Council's governance arrangements

3.3.1 The current corporate outcomes framework was initially agreed in March 2008 by Cabinet and underpinned the Council's 2008/11 Corporate Plan. Cabinet agreed that this framework would be refreshed annually as part of the service and financial planning process. The Corporate Plan was therefore reviewed by Cabinet and senior managers within the organisation throughout 2009/10. This led to the updated Corporate Plan (2010/13), which was approved by Cabinet in March 2010.

3.3.2 The refresh of the Corporate Plan was undertaken as part of the service and financial planning process for 2010/11 – 2012/13. Building on information emerging from Departments, officers undertook an analysis of the Corporate Plan, to ensure the organisations vision/priorities/outcomes continued to reflect the most important issues facing the borough. This review used information from:

- Discussions at special quarterly away days for Cabinet-SLB where they can work on reviewing our vision and direction as an organisation and discuss savings proposals
- Findings from key needs assessments undertaken
- Findings from community consultation activities e.g. resident survey
- Findings from analysis of the Council's performance
- Findings from a review of national policy.

3.3.3 Moving forward, in tandem with the development of the Council's budget for 2011/12 – 2013/14, the service and financial planning process will also develop a refreshed Corporate Plan 2011/14, refreshed Department Service Plans and refreshed Division Service Plans. The Corporate Plan 2011/14 will continue to set out the vision, priorities and outcomes (referred to as the corporate outcomes framework) for the Council. It is envisioned that the refreshed Corporate Plan (2011/14) will lead to a new corporate outcomes framework which takes account of the administration's political aspirations, the Co-operative Council agenda being taken forward, and the significant reductions in public sector spending.

3.3.4 Updated Service Plans will also be developed which will show how the Council will use its financial resources to deliver the necessary service improvements that enable its vision, priorities and outcomes to be met.

### 3.4 Measuring the quality of services for users, for ensuring that they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources

3.4.1 The vision of the Lambeth administration is 'delivering quality, tackling inequality' and includes the promise to deliver high quality services that focus on individuals' needs and represent value for money. Our Value for Money strategy sets out our approach to assessing, delivering and demonstrating optimum value to residents from our services. The strategy is supported by a suite of VfM tools which constitute the Value for Money toolkit.

- 3.4.2 The Council has continued to develop procurement and contract management techniques with a view to securing VfM and efficiency gains where appropriate. VfM is integral to procurement activity and the Council promotes the consideration of whole life costs and financial appraisal in decision making. Collaborative arrangements are progressed where appropriate to deliver increased benefit to both the Council and its partners.
- 3.4.3 We use benchmarking information to better understand our relative position against other authorities, and the key drivers which govern financial and non financial performance. Whereas benchmarking was encouraged across the organisation at a service level in previous years its use is now much more targeted. Benchmarking is central to the comparison of procurement tenders, determining project deliverables and extensively used when setting fees and charges.
- 3.5 Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and other functions, with clear delegation arrangements and protocols for effective communication
- 3.5.1 The Council's constitution describes the roles and responsibilities of the executive, non-executive, scrutiny and other functions. The Constitution is kept under regular review and during 2009/10 it was revised to reflect new statutory requirements and update to reflect current governance arrangements, such as Standing Orders. The main changes related to the expansion of the scrutiny function, and the requirement to adopt a new form of executive. Changes in 2010/11 related to the Council's petition scheme, in accordance with legislative requirements. All statutory obligations are formally established through the Scheme of Delegation, and outlined in structure charts. All organisational structure charts are available on the intranet. The Council's committee management system is the tool for accessing information electronically covering committees, members e-petitions etc. The system enabled us to achieve substantial savings on printing in 2010/11.
- 3.5.2 The Council adopted the "new style" Leader and Cabinet model on 21 October 2009, which came into effect on 10th May 2010. The two options available were a "new style" Leader and Cabinet Executive, or an elected Mayor and Cabinet Executive.
- 3.5.3 Cabinet and Strategic Leadership Board (SLB) provide strategic leadership in the overall co-ordination of Council policies, strategies and service delivery. This is supported by a scrutiny function focusing on all departments. The Youth Mayor is incorporated in the Council's constitution to make sure that the views of young people are also built into decision making.
- 3.5.4 There is one overarching Overview & Scrutiny Committee with five Scrutiny Sub- Committees each of which can establish ad-hoc commissions. They review or scrutinise decisions made and make reports and recommendations on matters which are the responsibility of the authority or which affect the local area. Through doing this they allow backbench councillors and residents of Lambeth to have a greater say in Council matters.
- 3.5.5 The Council also has committees which oversee its regulatory functions, that is, those concerning licensing and planning.
- 3.5.6 The Standards Committee reviews and oversees Councillor training and the Council's Whistle Blowing Policy. The Standards Committee is responsible for assessing and investigating complaints about members' conduct and submits an annual report to full Council on its work, including in relation to member conduct and complaints made against members.
- 3.6 Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- 3.6.1 The member and officer Codes of Conduct reinforce the Council's commitment to all related statutory and ethical duties and are publicly available to citizens and other stakeholders to ensure transparency. Ethical standards are embedded through training and induction for both members and officers and reviewed regularly.
- 3.6.2 Following the Council elections in May a Member induction was held with a full programme of activities. This included code of conduct and standards. Feedback has been positive.

- 3.6.3 The Council has adopted a Code of Conduct for members. This sets out the general principles that govern the conduct of members. Part 5 of the constitution outlines how councillors and officers of the Council must conduct themselves according to the statutory code of conduct, and other codes of conduct and protocols.
- 3.6.4 Members and officers remain bound by and sign up to their respective codes of conduct, as set out in the staff code of conduct and the code of conduct for members. The Standards Committee receive cyclical reports on complaints about member conduct, and whistle blowing allegations
- 3.6.5 The Standards Committee is chaired by an independent co-opted member and works to promote and maintain high ethical standards.
- 3.7 Reviewing and updating standing orders, standing financial instruments, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks
- 3.7.1 The Council has robust processes and procedures that ensure the principles of good governance are applied throughout the organisation. Decision-making processes are transparent and result in relevant and recorded actions; timely decisions are made to ensure priorities are met. Forthcoming key decisions are published in the Forward Plan (Cabinet and officer proposed decisions). Full public information on proposed officer decisions involving expenditure over £100k is published on a public database with five clear days notice, and also when the decision is taken. All members of the Council are automatically notified when these proposed decisions are logged. The officer delegation scheme ensures that routine decisions are made at the right level, with Cabinet focusing on policy development, strategic and cross-cutting issues.
- 3.7.2 A Scheme of Delegation that sets out the powers delegated to officers, the Financial Regulations and various Procedure Rules all form part of the Constitution. The Constitution is reviewed regularly by the Constitution Working Group (CWG) led by the Monitoring Officer and includes the Head of Democratic Services & Scrutiny, the Chief Whip and Cabinet Member for Finance and Resources. The constitution is available on the Internet. Any recommended amendments are explained in reports for approval by full Council, with prior discussion with the opposition parties. The Constitution is supported by operational procedures manuals containing information on financial and business procedures and processes to be followed in some areas of the Council. Proposals to strengthen the constitutional arrangements for asset management have been endorsed by the CWG and will be considered by Council in May. The proposals include the establishment of a Asset Management Cabinet Advisory Panel to consider capital expenditure and asset disposals, and reporting to Council on the capital investment programme in the July Finance Review and a new November Finance Review.
- 3.7.3 The council plans to upgrade to Release 12 of its Oracle E-business Suite Financials system in 2012. As part of this process the council is reviewing the relevant systems, procedures and controls during 2011.
- 3.7.4 Risk management is well-developed and is central to, and embedded in, the wider service delivery and decision-making processes. The Council's risk management policy statement highlights this intent to manage threats as well as opportunities. The Council's Risk Management Strategy is reviewed and updated annually and was last amended and approved in September 2010. The Corporate Risk Register, supported by the Strategic and Operational Risk Registers, is reviewed periodically and covers all departments, projects and partnerships. The Council recognises the importance of ensuring that risks are effectively managed across its partnerships and that resources and intelligence are shared to ensure risks are analysed and controlled as appropriate.
- 3.7.5 Contract Standing Orders are reviewed on a regular basis with changes being made in 2010/11 which enabled the use of e-tendering and a reduction in the procurement board structure from 5 to 3 Boards which comes into effect on 01/04/11.
- 3.8 Ensuring that the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010)

- 3.8.1 The Council operates a devolved financial management structure under the leadership of a Chief Financial Officer (CFO) who performs the Section 151 role. This will be reviewed in light of the restrictions regarding the overall availability of resources from 2011/12 onwards. The CFO role is vested in the Executive Director of Finance and Resources who is professionally qualified, reports directly to the Chief Executive and is a member of the leadership team, with a status that is equivalent to other members. The Council's existing arrangements ensure that it is committed to good practice in both governance and financial management and, ensures that its CFO is able to operate effectively. As a result, council staff have access to good quality financial advice.
- 3.8.2 Effective management of budget is achieved through:
- Divisional Management Teams, Departmental Leadership Teams and the Strategic Leadership Board monitoring and reviewing forecast expenditure each month.
  - The monthly circulation of the Finance Monitor to all members of Cabinet and formal reporting to Finance Scrutiny Sub-Committee.
- 3.8.3 The Council ensures financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010) and the subsequent *Application Note for Delivering Good Governance in Local Government: a framework* (March 2010) by ensuring that there are adequate and robust physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes in order to:
- Establish a medium term business and financial plan and to set a lawful budget.
  - That accurate and timely in year monitoring is prepared and available for in year decision making to both budget holders and elected members, and
  - That annual accounts are produced on a timely basis in accordance with proper accounting practice.
- 3.9 Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities
- 3.9.1 The Corporate Committee performs the 'audit committee' role through its oversight and monitoring of Council corporate governance activities including internal audit, counter fraud, external audit, financial performance and reporting, and risk management. Its terms of reference, structure, composition and work programme have been developed with reference to the guidance issued by CIPFA in 2005, "Audit Committees: Practical Guidance for Local Authorities". In addition, the Council has a Finance Strategy Board which acts as a clearing house for audit findings. The Board comprises senior officers from across Council departments.
- 3.10 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- 3.10.1 Ensuring compliance with established policies, procedures, laws and regulations involves a range of measures by the Council which include:
- Notification of changes in the law, regulations and practice to Departments;
  - Awareness, understanding and training carried out by internal officers and external specialists;
  - The drawing up and circulation of guidance and advice on key procedures, policies and practices;
  - Formal legal and financial clearance of all decision-making reports;
  - Proactive monitoring of compliance by relevant key officers including the Section 151 Officer (Executive Director of Finance & Resources) and the Monitoring Officer (Director of Governance and Democracy).
- 3.10.2 Compliance with the new or revised policies is monitored by the relevant key officers. Internal Audit reviews compliance and outstanding issues are reported to the Corporate Committee and the Finance Strategy Board.
- 3.10.3 Under Section 5 of the Local Government and Housing Act 1989 the Monitoring Officer is required to report to the Council where, in his/her opinion, a proposal, decision or omission by the Council, its

Members or Officers is or is likely to be unlawful and also to report on any investigation by the Local Government Ombudsman. It has not been necessary for the Monitoring Officer to issue a formal report for the year 2009/10.

3.10.4 Under Section 114, Local Government Finance Act 1988, the Section 151 officer also has a legal responsibility to issue formal reports if he has particular concerns about the financial arrangements or situation of the Council. No such formal reports have been issued during the 2010/11 financial year.

3.10.5 Under the general duty set out in the Equality Act 2010 the Council must have due regard to the need to eliminate unlawful discrimination, harassment and victimisation; to advance equality of opportunity; and to foster good community relations. The Council developed and published its first Single Equality Scheme and Action Plan 2010-2013 during 2010. The scheme sets out what the Council plans to do during the three year period to meet the general duty and the commitment to tackle inequality and social exclusion.

3.11 *Whistle-blowing and for receiving and investigating complaints from the public*

3.11.1 The Council is committed to tackling fraud, abuse and other forms of malpractice and, therefore, it has whistle blowing procedures in place to enable employees to raise their concerns about such malpractice at an early stage and in the appropriate way. The Council re-launched its Whistle blowing Charter during 2009/10. Allegations are investigated independently by Internal Audit and reported regularly to the Standards and Corporate Committees. The Committees ensure that the corrective action taken is robust.

3.11.2 The Contract Regulations require officers preparing contracts to include references to the Council's Confidential Reporting Policy. Copies of the policy itself are available on the Council's web site and are provided to staff when they join the Council.

3.11.3 The Council has a clear three-stage complaints process for handling complaints. This is supported by the Corporate Complaints Policy, which was revised in 2010-11. The Policy sets out clear guidance on logging, handling and monitoring complaints at all stages of the complaints process and for external enquiries from the Local Government Ombudsman. The aim of the complaints process is to drive service improvement across the Council by highlighting good practice and identifying lessons learnt from complaints.

3.12 *Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training*

3.12.1 The Council's elected members are well supported to develop their skills and deliver their role effectively. The member development programme was refreshed during 2009/10 in anticipation of the requirements of the incoming administration after the May 2010 elections. The programme is modelled on the IDeA Council Competency Framework covering: Local Leadership; Political Understanding; Partnership Working; Scrutiny and Challenge; Communication Skills; Regulation and Monitoring. A member handbook was also provided.

3.12.2 The Council is seeking to achieve the Member Development Charter in 2011/12 and has used the self assessment template, as promoted by London Councils and Local Government Improvement and Development (LGID previously IDeA) to develop its programme. Lambeth is also actively engaged with colleagues through the London Member Development Network, which the Head of Democratic Services and Scrutiny continues to chair.

3.12.3 Members of key committees, such as the scrutiny committee and its panels, have received specialised training in order to equip them to carry out their duties. Support and information is also provided to opposition parties when they seek to put forward alternative budgets.

3.12.4 In October 2010 RADA provided Chairing Skills in Local Government training and excellent feedback was received. This covered questioning techniques and incorporated role play.

3.12.5 In addition to the scrutiny induction session, ahead of the budget scrutiny meetings members requested that specific budget/finance scrutiny training be provided. This was commissioned from LG Futures and took place in the week that the budget scrutiny papers were published. This enabled the actual papers

to be referred to in the training. Feedback from the session recorded that the session met or exceeded all participants' expectations.

- 3.12.6 In February and March 2011 a series of three 'making the most of scrutiny' seminars, commissioned from the Institute of Local Government (University of Birmingham), took place. The seminars were titled as follows: Making the most of scrutiny; Undertaking an effective commission; and Questioning skills and the committee role. Feedback from these seminars was also excellent.
- 3.12.7 Members on the Corporate Committee have received briefings to enable them to provide effective challenge to those reporting to them on a range of areas, including, risk management, financial reporting, internal audit and counter fraud.
- 3.12.8 The Council has improved decision making by introducing quarterly away days between Senior Leadership Board (SLB) and Cabinet. These joint away days have helped to underpin the Council's strategic direction by examining the future direction of public services, key external challenges facing the local area and organisation and debates around how the Council can work in partnership to deliver local outcomes. Member and officer relations remain good across the organisation and across all political parties.
- 3.12.9 The development needs of all staff, including Executive Directors and Heads of Service are identified through the staff performance review process. Knowledge of financial management and the economic environment are actively promoted through a finance training curriculum and risk management champions. Councillors are offered the CIPFA Guide to Local Government Finance which is published on the Finance and Resources intranet and can access a programme of internal and external training and development opportunities including e-learning through Modern Councillor.
- 3.12.10 Appropriate induction training is provided. The purpose of induction is to ensure the effective integration of staff into the organisation for the benefit of both parties. There are four levels of mandatory induction training consisting of an HR induction and a Lambeth Council induction to express the vision and values, community strategy, corporate plan and the future directions of the Council. There are then departmental and workplace inductions which cover service strategies and priorities.
- 3.13 *Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation*
- 3.13.1 Robust internal and external communications are important to the Council. There is a communications strategy covering 2010-2014 which sets out how it will prioritise and manage projects that have cross-council significance. This is based on improved audience understanding and research.
- 3.13.2 The Council uses a number of channels to both consult and communicate with the community and other stakeholders. Consultation methods range from quantitative self-completion questionnaires and face-to-face interviews to focus groups depending on the target audience and the objectives of each consultation project. Regular communication channels include a quarterly local area newspaper which is delivered to all households and businesses, a proactive media relations programme an A-Z of services delivered to every household, a monthly newsletter to stakeholders, the intranet, direct mail and advertising to support department awareness drives and other specific campaigns. The Council's website is continually expanding both in its content and its functionality. The use of electronic and digital communication channels are now being introduced by the Council, including the use of text messaging and social media.
- 3.13.3 The development of communications ability is reflected in the work on online print. This works with the photo library to provide a web based system for producing materials in a cost effective and on brand manner.
- 3.13.4 Responses to Freedom of Information requests are monitored by the Complaints and Information Board to ensure consistency and timely responses.
- 3.13.5 A stakeholder strategy has been established and it prioritises support for the Chief Executive and Leader but also examines how messages are coordinated for all our stakeholders using Strategic Leadership Board, Cabinet and the Mayor. A comprehensive consultation calendar ensures that residents and

stakeholders contribute to the way Lambeth Council sets its budget and allocates resources. The annual budget consultation now engages with over 1,300 people whose views on strategic cost issues and spending proposals are heard.

**3.14** *Incorporating good governance arrangements in respect of partnerships and other group as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Council's overall governance arrangements*

3.14.1 The Sustainable Community Strategy 2008-2020 sets out the vision for Lambeth that the Council shares with its borough partners. The Local Strategic Partnership (LSP) is responsible for achieving the vision and a number of groups and theme partnerships are in place to support strategy and delivery. Each of the groups and theme partnerships under the Local Strategic Partnership (LSP), Lambeth First, has an appropriate form of governance that is formally documented. The document sets out the legal status, accountabilities, decision making processes, and roles and responsibilities of the partnership. Terms of reference outline the purpose for the partnership and its decision making powers.

3.14.2 Lambeth First keeps its governance documents under annual review. A major refresh in 2009 led to the adoption of a new set of governance arrangements in November 2009. In response to national developments, governance arrangements were reviewed again in 2010, with a view to reducing the 'burden of governance'. A number of recommendations were made to streamline arrangements and add value to partnership working. Whilst the recommendations are yet to be formally adopted they provide a strong foundation for Lambeth First to update its governance arrangements.

3.14.3 The Council has prepared a Local Code of Practice of Corporate Governance which sets out how it aims to meet corporate governance requirements.

#### **4. Review of effectiveness**

4.1 Lambeth Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The process that has been applied by the Council included the convening of a cross-council forum known as the 'AGS/VfM Conclusion Working Group'. The combined Working Group provided reports to the Finance Strategy Board and Corporate Committee which set out the process and timetable for compiling the Annual Governance Statement and the Value for Money Conclusion. In addition, the group began the development of an Assurance Map for Lambeth which will cover the types of assurance which are obtained across the Council and the internal and external sources which provide that assurance.

4.2.1 As in previous years, the AGS/VfM Conclusion Working Group drew on the recommended good practice questions from a number of sources (CIPFA, Audit Commission, IPF, SOLACE, and PwC) aligned to the Council's Assurance Framework. The Local Code of Governance for Lambeth was updated, as appropriate, and a common process was used to capture the information required to inform the Chief Internal Auditor's Annual Report and AGS.

4.2.2 A 'Service Assurance' process, which was initiated in the later part of 2009/10 by Internal Audit, was used alongside a self-assessment completed by the responsible Executive Director using structured questionnaires, linked to the evidence, supported by review from internal audit and the oversight of the AGS/VfM Conclusion Working Group. The self assessments from the Service Assurance process were then used as the basis for the departmental self assessments. The compilation process and the draft AGS were supervised by the Finance Strategy Board and considered by Strategic Leadership Board, the Executive, Corporate (Audit) Committee, the Chief Financial Officer, and Internal Audit.

4.3 Maintaining and reviewing the effectiveness of the system of governance is achieved in the following ways:

4.3.1 The assessment of the Council's arrangements for achieving Value for Money (previously the annual Use of Resources Assessment under the Audit Commission's Comprehensive Area Assessment).

- 1) In May 2010, the coalition government announced the abolition of the Comprehensive Area Assessment, including Use of Resources. The Council is still required to demonstrate and evidence that it delivers VfM with arrangements assessed and tested through external audit. The resulting VfM conclusion will form part of the annual accounts audit opinion.
- 2) Delivering value for money is a priority for the Council. Challenging the cost of services and associated service delivery has been central to the service and financial planning process and our response to funding reductions. The identification of 8 business levers has supported financial assessment alongside the traditional benchmarking of performance. The 8 levers are: income through fees and charges, contracts, establishment, assets, debt, federated services, 3<sup>rd</sup> sector opportunities and keeping council tax low.
- 3) The Audit Commission have published specific criteria to be used to assess whether we have robust systems and processes in place to effectively manage financial risks and opportunities, and to secure a stable financial position that enables us to deliver local priorities. There is also significant emphasis on our ability to prioritise resources effectively.
- 4) A brief narrative, supported by key evidence documents, has been produced setting out how our current arrangements meet published criteria. Evidence incorporates analysis through tools such as the VfM profile tool and the local government financial analysis tool. The VfM conclusion is based on two criteria:
  - We have proper arrangements in place for securing financial resilience
  - We have proper arrangements for challenging how we secure, economy, efficiency and productivity (prioritising resources within tighter budgets)
- 5) The Council is engaging with colleagues in other London boroughs and the Local Government Group to develop sector-led review and assessment processes which will allow authorities to continue to compare their effectiveness against their peers while increasing local accountability and control.

4.3.2 The governance structures and processes

- 1) The Council regularly reviews and matches its governance structures and processes to council-wide priorities, to ensure the principles of good governance are applied throughout the Council. The changes agreed in 2009 to the Governance Arrangements within the Council have been implemented. The Constitution was revised during the year to reflect new statutory requirements and existing governance arrangements were updated, such as Standing Orders. The main changes related to the petitions scheme with some changes to the scrutiny function, and the requirement to adopt a new form of executive.
- 2) The Council's constitution sets out the responsibilities of both Members and Senior Officers. In particular the Council has identified the six statutory posts as follows:
  - Head of Paid Service - Chief Executive
  - Chief Financial (Section 151) Officer – Executive Director of Finance & Resources
  - Monitoring Officer – Director of Governance and Democracy
  - Director of Children's Services – Executive Director, Children and Young Peoples Service
  - Director of Adult Social Services – Executive Director, Adults' and Community Services
  - Statutory Scrutiny Officer - Scrutiny Manager.
- 3) The Council's constitution remains robust and compliant, and plans are in place to ensure this remains the case. There are regular Constitutional Working Group (CWG) meetings throughout the year which are chaired by the Director of Governance and Democracy. These meetings ensure that the constitution is regularly reviewed with the Chief Whip, other councillors and officers from within Governance and Democracy so that the Council can have confidence that the Constitution remains robust, up to date, and is compliant with all relevant statutory instruments. The CWG has endorsed



the establishment of an Asset Management Cabinet Advisory Panel to counsel Cabinet with regard to capital expenditure, asset disposals and asset management policy. The Local Code of Practice of Corporate Governance has also been reviewed and updated as part of the preparation of the Annual Governance Statement for 2010/11. Papers for all Council and Committee meetings are in the public domain and are freely available on the Council's web site. Furthermore, a public database of all proposed officer decisions involving expenditure over £100k is maintained (proposed decisions are published with five clear days notice, and also when the decision is taken). All members of the Council are automatically notified when these proposed decisions are logged.

- 4) The scrutiny function is operating well. The Overview and Scrutiny Committee and its five sub-committees met six times, there were no call-ins or Councillor Calls for Action (CCfA) received. Four ad-hoc commissions reported to Cabinet during the year and six were established. The 'parent' committees maintained oversight of the implementation of previous commissions' recommendations throughout the year. The Environment and Community Safety Scrutiny Sub-Committee was the Council's designated crime and disorder committee (Police and Justice Act 2006) and held its designated crime and disorder meeting in January 2011. The Health and Adult Services Scrutiny Sub-Committee discharged health scrutiny functions. The 2009/10 Scrutiny Annual Report was considered by Council in July 2010.
- 5) There is one overarching Overview & Scrutiny Committee with five Scrutiny Sub- Committees each of which can establish ad-hoc commissions. They review or scrutinise decisions made and make reports and recommendations on matters which are the responsibility of the authority or which affect the local area. Through doing this they allow backbench councillors and residents of Lambeth to have a greater say in Council matters.
- 6) A series of 'making the most of scrutiny' training seminars were held along with specific budget scrutiny training (details above). Feedback from attendees (public and 'witnesses') at scrutiny meetings was collated during the year for the first time and an annual members' satisfaction survey will be distributed following the end of the 2010/11 year.
- 7) An annual report of the Corporate Committee is produced and circulated to all members who will have the opportunity to raise questions at full Council. The effectiveness of the Corporate Committee, in performing its Audit Committee role, forms part of the overall assessment of the effectiveness of Internal Audit, discussed below. Corporate Committee have provided challenge in some areas such as audits with limited/no assurance by asking the relevant directors to come to the meeting to discuss their corrective actions. The Corporate Committee's Terms of Reference also include oversight of the risk management arrangements at the Council.
- 8) Performance is reported regularly and clearly to Members and Senior Management, as follows:
  - Performance digest presented to Departmental Leadership Teams on a monthly or quarterly basis
  - Our key corporate performance indicators are presented to Strategic Leadership Board and Cabinet on quarterly basis
  - Service performance information is reported to Scrutiny committees on a regular basis and corporate performance is reported as requested
- 9) Procurement Boards are in place to review procurement activity at each of the four gateways (business case, procurement strategy, award and contract performance review) set out in the Procurement Strategy. The Procurement Boards provide peer group assessment and challenge for contracts over £25,000. The Strategic Procurement Board, which is chaired by the Monitoring Officer, reviews all gateway reports for procurement in excess of £500,000.
- 10) The remit of Legal and Democratic Services was expanded during the year to cover governance with the transfer of the risk management function. It is planned that the new Governance and Democracy division will assume the lead role for all matters relating to governance.

#### 4.3.3 Regular reviews of ethical standards policies and procedures

- 1) Members and officers remain bound by and sign up to their respective codes of conduct, as set out in the staff code of conduct and the model code of conduct for members. They also abide by

external professional codes of conduct, where appropriate. During the year, we have strengthened and clarified governance arrangements in the areas of conflicts of interests; member consultation; consultation with community groups; scrutiny; community safety; and responsible procurement. Skilled, proficient elected members lead the design, development and delivery of services and engender public confidence. The standards committee receive cyclical reports on complaints about member conduct, and whistleblowing allegations.

- 2) The Council has continued to offer ethics training to members and to maintain registers of gifts and hospitality, which are regularly reviewed by the Council's monitoring officer and the chief internal auditor. Take up of ethics training has been good. Follow up one to one training has been provided for members who were unable to attend.
- 3) Internal Audit run whole day workshops each year on countering fraud, which cover ethical behaviour through the use of case studies. Staff have fed back that the case studies are useful in providing a better understanding of the issues.
- 4) The Council's monitoring officer keeps members and officers informed of developments in ethical matters and relevant information. The minutes and agendas of the Standards Committee show how ethical standards are considered. The Standards Committee reviews and oversees councillor training and the Council's Whistle Blowing Policy and is also responsible for the local assessment and determination of complaints about Member conduct. The Standards Committee submits an annual report to full Council on member conduct and complaints made against members.
- 5) The Council has clear policies for the receipt of gifts and hospitality which are communicated to members and staff and are well understood. The standards are kept on the intranet along with instructions on how to record, register and monitor gifts and hospitality received. Executive Directors conduct quarterly checks on registers and liaise with Divisional Directors on any issues arising. Internal Audit reviews the maintenance of the registers annually.
- 6) Web based fraud awareness training has been made available to all staff via the intranet.

#### 4.3.4

##### *Review and update of the corporate strategic risk register to reflect the changing nature of the strategic risks faced by the Council.*

- 1) The Council's risk management is fully integrated into service areas and major projects. The Council uses a proven risk management system to record risks on a central register. The Council manages and monitors both risks that are threats and opportunities. Internal Audit review the quality of operational risk registers as part of their annual work plan and management can use the information to update the risk profile for their areas of responsibility.
- 2) The risk management policy and the risk management strategy are reviewed and refreshed annually. Both items are approved by the Strategic Leadership Board and Corporate Committee and are made available to the public through publication on the Council's website.
- 3) The risk management strategy has been updated to reflect the ongoing improvements in risk management process, and the level of risk maturity within the organisation, highlighting our processes and governance arrangements and providing greater transparency to residents.
- 4) The Risk Management Policy Statement is a statement of intent which is signed by the Chief Executive and the Leader of the Council and sets out the Council's firm commitment to risk management. This document provides reassurance to residents that the Council effectively manages risks and has an appetite to take risks in pursuit of community priorities.
- 5) Regular reporting on the Council's risk management arrangements and the corporate risk register are considered by the Risk Champions Group, the Strategic Leadership Board and Corporate Committee.
- 6) Following a report on managing risks in light of the Comprehensive Spending Review in January 2011, Corporate Committee have requested additional challenge sessions to consider reports from each department on their risk management arrangements.

- 7) Training sessions have been provided prior to each meeting of the Corporate Committee during 2010/11 to enable members to provide effective challenge in respect of risk management, counter fraud, internal audit and financial reporting arrangements. One to one training sessions are also being provided for members of the Committee on the Council's Risk Register system.

#### 4.3.5 The annual review of the effectiveness of the system of Internal Audit.

- 1) The Internal Audit service operates under regulation 6 of the Accounts and Audit Regulations 2003 (amended 2006) and in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. The Council's Financial Regulations and Internal Audit Charter grant Internal Audit an unrestricted right of access to all Council records and property. They also confirm the organisational independence which allows Internal Audit to form an objective opinion on the adequacy and effectiveness of the whole system of internal control.
- 2) The Chief Internal Auditor reports to the Executive Director (Finance & Resources) and also reports directly to the Chief Executive on a regular basis, and other Executive Directors and Members of the Council, if required.
- 3) The plan of work undertaken by Internal Audit is prepared with regard to the risks faced by the Council and following discussions with Executive Directors and Heads of Service. It is presented to and approved by the Corporate Committee. The scope of work included in the annual audit plan extends beyond financial governance to include corporate governance, risk management, probity, value for money, effectiveness and compliance with laws and standards.
- 4) The outcome of all Audit reviews is reported to the responsible Executive Director and Head of Service as well as to the Executive Director of Finance & Resources (Section 151 officer). A summary of the report is also presented to the Corporate Committee.
- 5) Where recommendations for the improvement of controls or systems are made at the end of an Audit review, these are agreed with the responsible managers together with details of the required action and an expected date for implementation. Agreed actions are included on the Audit Tracker system which is used to monitor implementation. An automated Audit Tracker (JCAD Audit) was introduced in August 2010 which enables all recommendation and report owners to review and update recommendations on a real time basis. The system provides regular prompts to recommendation and report owners when reviews are due to be completed. A number of standard reports are available to departments to monitor progress being made in the implementation of recommendations and to enable regular reporting to Departmental Leadership Teams on performance in this area.
- 6) Reports from the system are provided to the Finance Strategy Board on a monthly basis which include:
  - Progress on very high and high priority recommendations, including those which are overdue
  - Highlighting recommendations which are due for implementation within the next three months
  - Detailed schedules are provided to Divisional Directors of Resources to enable specific items to be progressed.

The reports provided to the Finance Strategy Board are also included in the monthly Finance Monitor and are periodically provided to the Strategic Leadership Boards and Corporate Committee for consideration.

- 7) A programme of implementation reviews are undertaken by the Internal Audit function to establish that appropriate evidence is in place to demonstrate that actions certified by management have been put in place.
- 8) Where action to address issues is not undertaken within the predetermined timescales the Corporate Committee can and has required the responsible manager to attend a formal meeting and be personally accountable.

- 9) External Audit has continued to rely on the work of Internal Audit where appropriate.
- 10) An effectiveness review has been carried out internally as part of the process for compiling the Annual Governance Assessment and used a self assessment checklist, which concluded, as in the previous year, that “the system of internal audit is effective, with only minor areas for development in order to ensure full compliance with the CIPFA Code of Practice for Internal Audit in the United Kingdom 2006”.

4.3.6 *The annual opinion of the Head of Internal Audit on the adequacy of internal control arrangements based on the outcomes of individual audit reviews.*

- 1) Based on the work undertaken by the Internal Audit and Anti fraud functions and reported upon during year, the opinion of the Chief Internal Auditor is that, in general, the Council has improved its control environment since 2009/10. However, we have identified areas for development in the management of debt, the leavers process and clienting/monitoring of third party organisations (by HRE department). Senior management needs to find a way to overcome these concerns, some of which are recurring, to ensure that the Council has a strong control environment overall. This is particularly important in the current economic environment as the need to deliver savings has necessitated a restructuring of services and a reduction in staff numbers which could result in a weakened control environment if not managed effectively.
- 2) The assurance levels assigned to the systems reviewed showed that the level of positive audit assurance has improved by 10 per cent. However, Key Financial Systems have remained stable in 2010/11 with no clear improvement or deterioration in the control environment.
- 3) Generally the Council’s risk registers can be relied on to determine internal audit planning and help scope the micro-level audits. However, audit risks identified during our audits should be appropriately managed by Heads of Service. As with 2009/10, the reviews undertaken have confirmed this in the vast majority of cases.
- 4) The comprehensive and integrated counter fraud strategy being applied continues to deliver work streams with a proactive focus on reducing losses and combating fraud. Reactive investigations continue to achieve successful outcomes with £8.6m in savings and recovered assets together with 105 successful prosecutions, 10 dismissals and 2 resignations, compared to £8.4m and 161 prosecutions in 2009/10.
- 5) A review of fraud risk management arrangements was undertaken during the year which considered the current anti-fraud arrangements to identify potential gaps, the current process for identifying fraud risks by the Council and made recommendations to enhance the current anti-fraud arrangements. Whilst no significant gaps in the current arrangements were identified, a number of recommendations have been made which officers will progress to further enhance the Council’s anti-fraud arrangements and the identification and management of fraud risks.
- 6) Internal Audit worked with the Council’s risk register software supplier to develop an automated recommendation tracker which was implemented in August 2010. The system enables managers to update and review recommendations in real time. Regular reporting to senior management and members, particularly around very high and high priority recommendations and the focus on those which are overdue, has helped to drive performance improvements. The system has also been extended to track actions required by the Corporate Committee.
- 7) A series of four workshops were set up in February 2010 to introduce the concept of controls optimisation to a selection of council officers and to encourage them to consider how the principles of controls optimisation could be used to help improve the control environment of the systems, processes and activities that they are responsible for. The principles covered in the workshops have been used in several areas, including the review of controls around starters and leavers processes which have resulted in improvements to the processes and controls in place in this area with further work due to be concluded in 2011/12.
- 8) A contract management/supplier records review was undertaken during the year, utilising contract specialists from KPMG. The review comprised a scoping exercise to select contracts which would

be suitable for a detailed supplier audit and considered; the nature of the supplier spend; the strength of the relationship with the supplier; past issues and concerns; and the inclusion in the contract of an audit clause allowing access to a supplier's records. Four potential contracts were identified for a more detailed review and there is ongoing dialogue with officers in the relevant departments to scope the reviews.

- 9) As part of the 2010/11 Internal Audit plan a programme of Continuous auditing and monitoring has been implemented across 7 key financial systems to provide regular and timely assurance over the financial systems and inform our opinion of the adequacy and effectiveness of these systems at year end. The process provides ongoing testing of key controls to assess whether they are operating effectively and identifies transactions that appear to circumvent control parameters. A combination of manual testing and data mining tools has been used to extract system data, using predetermined parameters to check that controls are operating as designed. Reporting on the year to date has identified some exceptions which are being dealt with by management but not significant control design issues have been identified.

#### **4.3.7 Development of performance management**

- 1) The Council's strategic approach to data quality is set out in the Performance and Quality Management Framework (PQMF). Data quality must comply with the laid down corporate data quality standards and a range of processes are in place to ensure this happens.
- 2) Performance reports highlight data quality issues and actions taken to address these. Monitoring of performance targets and indicators is carried out as part of the departmental performance management processes, that is, they are reviewed by Department Leadership Teams.
- 3) Local data quality audits are carried out twice a year on a sample of performance indicators based on a risk assessment and when the indicator was last audited. Recommendations from internal audits are included in data quality action log which becomes part of the internal audit tracker and is reviewed quarterly by Finance Strategy Board. For each national and corporately reported performance indicator, lead officers complete a system form and analytical review forms, both of which cover partnership accountabilities. System forms set out how data is collected, stored, reported and backed up. Analytical review forms are completed at the year end to confirm the final outturn, explain how it was calculated and analyse any significant variance against the previous year or target. The Council has effective data sharing arrangements with an overarching Information Sharing Protocol in place with its full range of partners, including the LSP, Lambeth First. Sharing data with partners, such as the Police, results in effective strategy formulation to deal with issues that are the centrepiece of the Sustainable Community Strategy (SCS), such as crime.

#### **4.3.8 Annual assurance statement (AAS) returns from Service Directors**

- 1) The completed 2010/11 statements have indicated that there are no specific areas where controls are not adequate. However, departments have highlighted that the significant savings which are required as a result of reductions in central government funding could potentially have a significant impact on the effectiveness of control and governance frameworks going forward, including; the capacity to comply and report, restructuring leading to significant loss of knowledge and expertise and reductions in back office and management areas impacting on segregation of duties.
- 2) The self assessment certification from Executive Directors and Directors for the year ended 31 March 2011 stated that they are aware of their responsibilities and had complied with the Council's policies and procedures. The letter of representation process in no way absolved officers of their responsibility to continue addressing the issues noted.

#### **4.3.9 Consideration of complaints made under the formal complaints procedure**

- 1) Following a review of the Complaints and Member's Enquiries processes, new procedure notes have been drafted with supporting guidance for officers and members. This will improve the way the Council deals with and uses these enquiries by providing a clear framework to those involved.

- 2) The Council continues to use complaints information as an effective tool to learn about the services it provides. For example, Parking Services have used analysis of the data to reduce the number of complaints about the service. In addition, Lambeth Living, the arms length management organisation responsible for managing the housing stock, has used complaints information to support their re-alignment process. This should lead to an improvement in complaint handling and a reduction in the volume of complaints overall.
- 3) The profile of complaints remains high across the Council with the Corporate Complaints Digest, a summary of complaints received by department, highlighting trends and lessons learnt, considered by the Strategic Leadership Board on a quarterly basis and by Corporate Committee every 6 months. This provides these bodies with the opportunity to comment on improvements in the process and any areas of concern.
- 4) Since 2006/07 the total number of complaints received by council departments has dropped, including a reduction in the number of enquiries from the Local Government Ombudsman. Whilst there has been an increase in complaints received by Lambeth Living, the arms length management organisation managing the Council's housing stock, officers from the Corporate Complaints team have worked with the Lambeth Living to improve their processes and response rates, with the aim of reducing the level and escalation of complaints.

#### 4.3.10 Value for Money (VfM)

- 1) The service and financial planning process is the primary vehicle for identifying and planning VfM. The cost of Lambeth's key services are benchmarked with those of our nearest neighbours. This information supports service design and the corporate challenge, through, for example, the budget challenge sessions held with senior officers and Members. In 2010/11, £8.2m in efficiency savings were forecast, contributing to a cumulative total of £31m over the NI 179 reporting period (2008/09 to 2010/11). However; the collection of NI 179 efficiency data was ceased in November 2010 due to the coalition government deciding not to pursue this area of data collection and analysis.
- 2) The Council has continued to make its operations more efficient through a combination of outsourcing; bringing services back in house where appropriate; better procurement; service modifications; business process re-engineering; and cooperative working. This flexibility in the approach to different methods of service delivery has provided real benefits to the Council in meeting both the central government efficiency agenda and Lambeth's own ambitions. Although the collection of NI 179 data will no longer continue, we will continue to demonstrate improvements in efficiency through our response to funding reductions and meeting the needs of our residents.
- 3) The Council is engaged in a number of complex projects with long term implications. Projects such as the replacement of the enterprise resource planning system, implementation of a scalable network solution, and review of office accommodation requirements have all involved a series of detailed options appraisals including whole life costing, the affordability of different options and the impact of capital investment on revenue funding.
- 4) The Council continues to manage its assets to secure value for money for its residents. Key examples are through:
  - Rationalisation through service asset planning: Service Asset Plans have been produced for each land holding department. These plans provide an overview of the current property portfolio (excluding the residential and Schools segment) and include: requirements for each service, identified gaps and required investment, new assets, maintenance of existing assets and surplus assets for disposal. The combined asset requirements have been integrated into the service and financial planning process.
  - Maintaining the Portfolio: The Council continues to ensure that the operational property portfolio is maintained to an appropriate standard by using condition surveys to develop and implement planned maintenance programmes.
- 5) The Council continues to adopt alternative and innovative approaches to delivering services. This can be demonstrated in the way we have procured collaboratively with a number of other Local

Authorities and partners to ensure value for money whilst maintaining a level of service which meets local needs. For instance, we have established a four borough framework which provides support services for vulnerable members of the community and taken a leading role in establishing an insurance mutual, both of which will deliver cost savings whilst meeting user needs.

#### 4.3.11 Savings requirements for 2011/12

- 1) As part of the 2011/12 Service and Financial Planning Process undertaken during 2010/11 savings of £37m were identified for the General Fund and approved by full Council on 23/02/11. This is an unprecedented requirement and inevitably presents risks in terms of failure to deliver the quantum of savings or to provide the affected services with reduced resources. It is recognised that the delivery of savings could potentially have a significant impact on the effectiveness of control and governance frameworks, including:
  - the capacity to comply and report
  - restructuring leading to significant loss of knowledge and expertise
  - reductions in back office and management areas impacting on segregation of duties
- 2) Finance & Scrutiny Sub-Committee requested a tracker be developed which would provide information on the achievability of savings and any unforeseen detrimental effect on service delivery. This is being incorporated in the 2011/12 Finance Monitor. Regular reporting will be provided to Cabinet, Strategic Leadership Board, Finance Strategy Board and departmental leadership teams to ensure that the required savings are being delivered.
- 3) The Internal Audit Plan for 2011/12 will include work to provide assurance that savings are being delivered and that the impact on services is being managed and monitored.
- 4) Each department has been requested by the Corporate Committee to report on their risk management arrangements, including managing risks relating to savings, to challenge sessions to be held by the Committee in 2011/12.

#### 4.3.12 Emergency planning

- 1) The Council has developed resilience strategies to ensure that it can continue to deliver its critical business when faced with incidents that cause major disruption such as loss of staff resources through extreme weather incident or pandemic flu, loss of premises or loss of services.
- 2) Business Continuity is effectively managed through a range of tried and tested arrangements for disaster recovery. We have identified our critical services so they can be prioritised and those that are most essential reinstated first. The recovery of corporate ICT functions is vital to ensure that critical services receive the necessary system support through any period of major emergency. There are planned options for service delivery available, these included home working provision starting with key staff, reallocation of office space and shared service protocol to ensure that services to vulnerable residents continue to be delivered when staffing is reduced. Awareness of our business continuity arrangements are widely promoted to staff through a range of initiatives. Bi-monthly meeting are held with department lead officers where information is shared and progress monitored on ongoing projects around both internal and external issues. Business continuity is also included in the agenda of quarterly Directorate Leadership Team meetings where the opportunity is also taken to exercise their contingency plans and recovery arrangements.
- 3) As part of our procurement process our key suppliers are screened and then monitored to ensure that they have effective business continuity arrangements in place.
- 4) A review of our Business Continuity arrangements was undertaken in 2009/10 with a number of recommendations for service improvement suggested. These have been taken on board and appropriate action taken. The Council's business continuity and disaster recovery arrangements continue to be monitored and developed as the Council goes through a period of change to ensure that we remain resilient.

- 5) Our resilience is managed in accordance with the requirements of the Civil Contingencies Act 2004 and also to the measures laid down in British Standard 25999 on Business Continuity.

#### 4.3.13 Data security controls

- 1) Lambeth Council has continued to strengthen arrangements on data security in the last year and has introduced a number of measures and initiatives to achieve this. It has built upon the Government Connect accreditation achieved in 2009/2010, and successfully gained a further annual accreditation in 2010/2011, validating that the Council's arrangements for managing and sharing data are as robust as possible. As part of achieving this standard all council employees and members with access to the Council's network undertake mandatory e-learning training. Completion of this training is monitored and network access is withdrawn where training is not completed. To further support increased security the various policy documents pertaining to ICT use within the Council have been rationalised into two primary documents:

- Using Systems and Data Policy – for all staff; and
- Protecting Systems and Data - for ICT staff.

These continue to be supported by a series of “golden rule” guides, and a planned communications programme including quarterly intranet articles. Failure to comply with these policies is taken seriously and can result in disciplinary action. All portable devices managed by the Council are encrypted, and measures are in place to facilitate the monitoring of data downloads to portable devices.

- 2) The Information Governance Working Group (IGWG) provides valuable support to the Council's Senior Information Risk Owner (SIRO); the Executive Director of Finance and Resources. The IGWG has an annual rolling work programme managed by the Information Governance Manager.
- 3) The Internal Audit function manages a programme of audits with results reported to Departmental Leadership Teams (DLTs) and SLB with corrective action plans agreed with management for their implementation. Additionally this function commissions an annual IT Health Check – this separation of duties between ICT and IA ensures that audit and health check activity provides the Council with real and valuable feedback and assurance that appropriate arrangements are in place and operating effectively.

#### 4.3.14 Procurement

- 1) The Contract Management Toolkit was published during the year. The toolkit is based on the use of the “9 Levers” of strategic category management and enables contracts to be managed effectively to achieve KPIs and value for money. The toolkit also provides advice and guidance for contract managers to reduce the costs of contracted services by working smarter with our suppliers in order to take out costs that will benefit both the Council and the supplier.
- 2) Regular reports on procurement activity are considered by the Corporate Committee.
- 3) A LEAN review of the procurement process commenced in February 2011 to review procedures and processes to ensure they are fit for purpose for the new financial environment.

#### 4.3.15 Outcomes of external reviews

- 1) A number of external reviews have taken place during the year including reviews of performance management arrangements in CYPS, grant management and the Council's management of commercial properties. The outcomes of all inspections and audits, including the Annual Audit and Inspection Letter, are used to plan and improve Council services.
- 2) The Audit Commission, in its role as the Council's appointed auditor in the relevant period, issued a public interest report (PIR) in September 2010 for the Council which deals with significant weaknesses in the financial management and monitoring of Clapham Park Project grants (2006-2008). The Council considered the issues and recommendations raised in the report, agreed the detailed actions needed in response and would monitor their implementation.



## 5. Significant governance and control issues

- 5.1 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.
- 5.2 The 2009/10 evaluation of assurances identified two key issues in respect of governance and control and the 2009/10 AGS set out the actions to be taken in respect of those key issues. The table below contains the issues, actions identified and progress made on those actions during 2010/11:

Significant governance and control issues	Action(s) to be taken	Timeframe	Progress made in 2010/11
<p><u>Key Financial Systems</u></p> <p>The Council's objective to achieve High or Moderate Assurance opinions for all of the key financial systems has not yet been met. There have been positive movements made in some systems, including pensions, parking income and accounts payable, however, there were 3 systems with low assurance levels – leaseholders, housing rents and reconciliations</p> <p>Overall assurance levels have been stable since 2008/09 with 71% achieving positive assurance and only 21% of systems achieving a high assurance level (well controlled). Reconciliations and Housing Rents received a 'limited assurance' level. In addition, some prior year recommendations had not been implemented in full. The audit provides assurance to the external auditor that key financial controls in the fundamental systems are operating satisfactorily and support a robust internal control environment</p>	<p>Management have agreed, with Internal Audit assistance, to work with the officers responsible for each system to understand the problems that they face in improving the control environment in these areas. This will then enable action plans to be developed to work towards addressing any control weaknesses to enable a higher level of assurance to be achieved in future audits.</p> <p>The Chair of the Finance Strategy Board who is also the Section 151 Officer has issued an instruction that these systems be monitored closely and reported up regularly. Improvement is regularly assessed via the continuous auditing and monitoring programme.</p>	<p>Executive Director of Finance &amp; Resources</p> <p>November 2009</p> <p>March 2011</p>	<p>Internal Audit have reviewed the key financial systems during 2010/11 and have provided overall positive assurance levels for all but one of the key financial systems, Housing Rents. However, it is recognised that significant work has been done to put in place additional access controls and robust reconciliations are in place to ensure that the correct values are reflected in Oracle.</p> <p>Management have certified that all actions in respect of very high and high priority recommendations made as a result of the KFS audits undertaken in 2009/10 have been completed.</p> <p>In addition, Internal Audit introduced a programme of Continuous Auditing and Monitoring which gives management assurance on a quarterly basis on the effectiveness of key controls in place on 7 systems.</p>
<p><u>Asset Management</u></p> <p>The audit review of Asset Management received a 'No Assurance' due to insufficient records and quality checking processes in place to demonstrate that the Council is compliant with health and safety legislation.</p>	<p>An action plan was agreed with management and its implementation will be monitored via the implementation tracker.</p>	<p>March 2011</p>	<p>A follow-up review by PwC as part of the assurance process resulting from the issues raised by the external auditor as part of the 2009/10 final accounts has identified that the recommendations in the 2009/10 Annual Audit letter were being addressed. The review noted that the completion of service asset management plans has been superseded by events, and that the 2010-11 Service and Financial</p>

Significant governance and control issues	Action(s) to be taken	Timeframe	Progress made in 2010/11
			Planning process has incorporated a more wide ranging review of asset categories rather than a refresh of service asset management plans. The review also noted that further work is ongoing to improve Asset Management at the Council, including the established of a senior level Strategic Asset Management Group.

5.3 The 2010/11 evaluation of the assurances surrounding the governance framework has disclosed the following significant issues which the Council will address:

Significant governance and control issues	Action(s) to be taken	Ownership/ Timeframe
<u>Debt Management:</u>		
The level of consolidated debt relating to income collection stood at £86.1m as at the January 2011 Finance Monitor, with 56% (£47.8m) being debt which had been outstanding for over a year.	A series of actions have been agreed with council officers and Lambeth Living as a result of recommendations made by Internal Audit. Progress against these will be monitored on the Audit Tracker.	RBCS & HRE <i>Ongoing</i>
Work undertaken by Internal Audit through a number of planned reviews has identified issues with regard to debt management, including instances where prompt action has not been taken to recover monies owed to the Council. This included Leaseholder debts where it was found that action was not being taken to attempt to collect debt which was approaching the six year limit (statute barred).	Progress on actions agreed with Lambeth Living will be monitored and reviewed as part of the ongoing clienting activity undertaken by HRE.	HRE <i>Ongoing</i>
Having previously given high assurance for the past two years, Internal Audit also found that there had been delays in recovery action taken in relation to Council Tax arrears. Similar issues were identified in respect of Former Tenant Arrears for housing rents.	In September 2010, Finance Strategy Board approved the Corporate Income and Debt Strategy. The strategy was approved by the Council's Cabinet on 11 April 2011. The aim of the strategy is to enhance the Council's performance in income collection and debt management. The effectiveness of the strategy will be monitored regularly by FSB and annually by SLB.	FSB/SLB <i>Ongoing</i>
	Progress on debt recovery will continue to be monitored via the Finance Monitor which is considered by on a regular basis by Finance Strategy Board (FSB) and Strategic Leadership Board (SLB).	FSB/SLB <i>Ongoing</i>
	The issue regarding non-recovery of FTA and Leaseholder debts will be covered by the new debt strategy and the work done by the HRA team on rent accounts to re-classify former tenants arrears where the tenant is continuing a new tenancy within Lambeth.	HRE <i>Ongoing</i>
	The process for returned bailiff notices and recovery suppression accounts have been fully reviewed by the client team and Capita to ensure that all accounts pass through the recovery process without any undue delays.	RBCS <i>Ongoing</i>

Significant governance and control issues	Action(s) to be taken	Ownership/ Timeframe
<p><u>Clienting/monitoring of third party organisations in Housing, Regeneration and Environment:</u></p> <p>Health check audits have shown significant control weaknesses at the majority of Tenant Management Organisations (TMOs), with no improvement being made from the previous round of audit reviews. As a result, clienting of the TMOs by the ALMOs and Housing, Regeneration and Environment remains an audit focus.</p> <p>A special investigation into the use of council assets leased to a charitable company identified a number of significant issues, including the body not meeting the requirements of its incorporation status on an ongoing basis, around £100k being potentially due to the Council (in rent, building insurance premiums and business rates) and the need for action to strengthen the oversight and clienting role in Housing, Regeneration and Environment in dealing with third sector organisations.</p> <p>The Audit Commission's Public Interest report issued in September 2010 also identified significant weaknesses in the financial management and monitoring of Clapham Park Project grants (2006-2008).</p>	<p>The Chief Executive has requested Internal Audit to undertake a review of clienting and monitoring as a result of the issues identified during reviews and investigations during 2010/11.</p> <p>The Chief Executive has requested an Executive Director to review the Council's strategic approach to clienting and to propose a "best fit" clienting model for the Council.</p> <p>Actions agreed with council officers and Lambeth Living/United Residents Housing as a result of recommendations made by Internal Audit will be monitored on the Audit Tracker. Regular reporting on progress will be made to FSB, SLB and Corporate Committee.</p> <p>Progress on actions agreed with Lambeth Living and United Residents Housing will be monitored and reviewed as part of the ongoing clienting activity undertaken by HRE.</p>	<p>Internal Audit Q1 2011/12</p> <p>ED HRE</p> <p>FSB/SLB Ongoing</p> <p>HRE Ongoing</p>

- 5.4 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signature of Chief Executive \_\_\_\_\_

Date \_\_\_\_\_

Signature of Leader of the Council \_\_\_\_\_

Date \_\_\_\_\_

## STATEMENT OF ACCOUNTING POLICIES

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003 (amended), which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

### Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Employee Benefits**

#### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

#### **Post Employment Benefits**

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by the London Borough of Lambeth.

- The Local Government Pensions Scheme, administered by the London Pension Fund Authority.

All three schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

### ***The Local Government Pension Scheme***

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the London Borough of Lambeth (LBL) and the London Pension Fund Authority (LPFA) pension funds attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate of 5.5% which is based on the indicative rate of return available on a basket of AA-rated bonds with long terms to maturity (the iBoxx Sterling Corporates AA Over 15 Years Index).
- The assets of the LBL and the LPFA pension funds attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
  - The change in the net pensions liability is analysed into seven components:
    - i. **current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
    - ii. **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - iii. **interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
    - iv. **expected return on assets** – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
    - v. **gains or losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - vi. **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
    - vii. **contributions paid to the pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated

according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### ***Discretionary Benefits***

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **Events After the Balance Sheet Date**

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### **Financial Instruments**

#### ***Financial Liabilities***

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

#### ***Financial Assets***

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

The Council has no available-for-sale assets.

### **Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### ***Area Based Grant***

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

### ***Business Improvement Districts***

A Business Improvement District (BID) scheme applies across the whole of the Council. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal under the scheme, and accounts for



income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

## **Intangible Assets**

Expenditure on assets that do not have physical substance but are controlled by the Council as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

The Council has no internally generated assets.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet (as at 31 March 2010) at the lower of cost and net realisable value. There are no inventories or long-term contracts as at 31 March 2011.

## **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

## **The Council as Lessee**

### ***Finance Leases***

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### ***Operating Leases***

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a rent-free period at the commencement of the lease).

### **The Council as Lessor**

#### ***Finance Leases***

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### ***Operating Leases***

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP).

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

## **Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Council does not capitalise borrowing costs.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (that is, it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Surplus assets are measured using the existing use of the asset when assessing its fair value (as interpreted by the Code). Where an asset is being held for disposal, or in the absence of any decision as to the future use of the asset, it is recommended that the asset's fair value be assessed on the basis of its last use in providing services

The Council has a five-year rolling programme of revaluation of assets to ensure that all assets are revalued at least once during that period. All asset revaluations are carried out on behalf of the Council by Lambert Smith Hampton – Property Solutions, an RICS-qualified valuer.

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – assets are depreciated on the basis of the of their asset type and corresponding life
- surplus assets – straight-line over its remaining life.

### **Components**

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

The Code requires the adoption of componentisation to be applied with effect from 1 April 2010 and is applicable to:

- enhancement expenditure,
- acquisition expenditure and
- revaluations.

- For Other Land and Buildings, the Council has reviewed only those assets which have been acquired, enhanced or revalued and have a carrying amount of £500k or greater. However, where there is a group of similar components as part of a large-scale refurbishment programme that collectively breach the limit, these have also been considered for component depreciation. Assets with a lower carrying amount have not been subject to component depreciation as the impact is not material on the accounts.

- For Dwellings, the Council has complied with the CLG Guidance for Valuers 2010 (issued in January 2011) on Stock Valuation for Resource Accounting. However, the Council has elected to include in its list a small number of component assets either because:
  - they are of significant value and are likely to have a material effect on depreciation or
  - they are required for asset management and planning purposes.

#### Useful Economic Lives

The periods over which assets are depreciated are determined by the valuer. In the absence of such a determination the following applies:

Asset Category	Useful Economic Life
Council Dwellings	60 Years
Other Land & Buildings	40 Years
Vehicles & IT equipment	4 Years
Plant, furniture & equipment	10 Years
Commercial properties & surplus assets	40 Years
Infrastructure	Varying depending on type of infrastructure asset
Intangible assets	Amortised over 4 years

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

#### **De Minimis Level**

Expenditure below £10,000 is not capitalised and therefore is charged to the Comprehensive Income and Expenditure Statement.

#### **Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

A non-current asset held for sale is measured at the lower of its carrying amount and its fair value less costs to sell. Costs to sell are measured at their present value; in other words, they are discounted. Where the sale is expected beyond one year, the discount should be unwound.

- The carrying amount of the asset will be reduced, and a financing cost recognised in the Comprehensive Income and Expenditure Account where the amounts are material.
- In most cases, the cost to sell will be relatively insignificant, and the effect of unwinding the discount will therefore not normally be material. In such cases, no transition adjustments are required.
- Where assets meet the criteria to be classified as held for sale they shall be treated as either non-current assets or current assets dependent on meeting the respective definitions.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Where an asset that does not meet the criteria to be classified as either held for sale or as an investment property under the Code, the asset will continue to be classified as a surplus asset (within property, plant and equipment) under the Code.

### **Service Concessions**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. None of the Council's schemes has had liabilities written down by an initial capital contribution.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge of x% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

### **Provisions, Contingent Liabilities and Contingent Assets**

#### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

## **Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## **VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## **Foundation Schools**



The School Standards and Framework Act 1998 changed the status of Grant-Maintained Schools to Foundation Schools maintained by the local education authority. The change for funding purposes took effect from 1 April 1999. Fixed assets and long-term liabilities remain vested in the Governing bodies of individual foundation schools and therefore values and amounts have not been consolidated in this Balance Sheet. In this authority area there are six Foundation schools with an estimated fixed asset valuation of £26m as at 31 March 2011.

### **Academies**

Academies (originally called City academies) are State-maintained independent schools set up usually with help from outside sponsors and Government contributions. The schools are run outside of the local education authority's (LEA) funding control, though still operate within all the national requirements for curriculum and standards. As at 31 March 2011, there were three academies within the borough, two secondary schools and one primary school.

### **Rounding**

It is not the Council's policy to adjust for immaterial cross-casting differences between the main statements and disclosure notes.



## MOVEMENT IN RESERVES STATEMENT

This statement (overleaf) shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (that is those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

The first two tables provide movements on individual usable reserves (for 2009/10 and 2010/11) with one column for all of the unusable reserves. Movements on individual unusable reserves, for the two years, are on the following two tables

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	LMS Balances £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2009</b>	(30,953)	(67,326)	12,217	(16,244)	(33,390)	(6,352)	(42,392)	<b>(184,440)</b>	<b>(1,179,307)</b>	<b>(1,363,747)</b>
<u>Movement in reserves during 2009/10</u>										
(Surplus) or deficit on the provision of services	28,991	0	(69,263)	0	0	0	0	<b>(40,272)</b>	<b>0</b>	<b>(40,272)</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	<b>0</b>	<b>260,492</b>	<b>260,492</b>
<b>Total Comprehensive Income and Expenditure</b>	28,991	0	(69,263)	0	0	0	0	(40,272)	260,492	220,220
Adjustments between accounting basis & funding basis under regulations (Note 1)	(24,655)	0	56,997	0	2,421	4,263	23,485	<b>62,511</b>	<b>(62,512)</b>	<b>(1)</b>
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	4,336	0	(12,266)	0	2,421	4,263	23,485	22,239	197,980	220,219
Transfer to/from Other Reserves (Note 2a)	(1,759)	0	0	1,759	0	0	0	<b>0</b>	<b>0</b>	<b>0</b>
Transfers to/from Earmarked Reserves (Note 2b)	(339)	339	0	0	0	0	0	<b>0</b>	<b>0</b>	<b>0</b>
<b>Increase/Decrease in 2009/10</b>	2,238	339	(12,266)	1,759	2,421	4,263	23,485	22,239	197,980	220,219
<b>Balance at 31 March 2010 carried forward</b>	<b>(28,715)</b>	<b>(66,987)</b>	<b>(49)</b>	<b>(14,485)</b>	<b>(30,969)</b>	<b>(2,089)</b>	<b>(18,907)</b>	<b>(162,201)</b>	<b>(981,327)</b>	<b>(1,143,528)</b>

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	LMS Balances	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2010 brought forward</b>	(28,715)	(66,987)	(49)	(14,485)	(30,969)	(2,089)	(18,907)	<b>(162,201)</b>	<b>(981,327)</b>	<b>(1,143,528)</b>
<b><u>Movement in Reserves during 2010/11</u></b>										
(Surplus) or deficit on provision of services	(136,608)	0	339,385	0	0	0	0	<b>202,777</b>	<b>0</b>	<b>202,777</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	<b>0</b>	<b>(156,818)</b>	<b>(156,818)</b>
<b>Total Comprehensive Income and Expenditure</b>	(136,608)	0	339,385	0	0	0	0	202,777	(156,818)	45,959
Adjustments between accounting basis & funding basis under regulations (Note 1)	141,790		(340,032)		2,145	1,490	(30,491)	<b>(225,098)</b>	<b>225,097</b>	<b>(1)</b>
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	5,182	0	(647)	0	2,145	1,490	(30,491)	(22,321)	68,279	45,958
Transfer to/from Other Reserves (Note 2a)	(2,433)	0	0	2,433	0	0	0	<b>0</b>	<b>0</b>	<b>0</b>
Transfers to/from Earmarked Reserves (Note 2b)	(2,999)	2,999	0	0	0	0	0	<b>0</b>	<b>0</b>	<b>0</b>
<b>Increase/Decrease in Year</b>	(250)	2,999	(647)	2,433	2,145	1,490	(30,491)	(22,321)	68,279	45,958
<b>Balance at 31 March 2011 carried forward</b>	(28,965)	(63,988)	(696)	(12,052)	(28,824)	(599)	(49,398)	(184,522)	(913,048)	(1,097,570)

UNUSABLE RESERVES DETAIL	Revaluation Reserve £'000	Pensions Reserve £'000	Capital Adjustment Account £'000	Deferred Capital Receipts £'000	Financial Instruments Adjustment Account £'000	Collection Fund Adjustment Account £'000	Accumulated Absences Adjustment Account £'000	Total Unusable Reserves £'000
<b>Balance at 31 March 2009</b>	<b>(168,936)</b>	<b>411,852</b>	<b>(1,427,939)</b>	<b>(863)</b>	<b>2,691</b>	<b>(299)</b>	<b>4,187</b>	<b>(1,179,307)</b>
<u>Movement in reserves during 2009/10</u>								
Other Comprehensive Income and Expenditure	(68,187)	328,679	0	0	0	0	0	<b>260,492</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(68,187)</b>	<b>328,679</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>260,492</b>
Adjustments between accounting basis & funding basis under regulations (Note 1)	8,064	5,362	(80,254)	3	2,612	1,334	367	(62,512)
<b>Increase/Decrease in 2009/10</b>	<b>(60,123)</b>	<b>334,041</b>	<b>(80,254)</b>	<b>3</b>	<b>2,612</b>	<b>1,334</b>	<b>367</b>	<b>197,980</b>
<b>Balance at 31 March 2010 carried forward</b>	<b>(229,059)</b>	<b>745,893</b>	<b>(1,508,193)</b>	<b>(860)</b>	<b>5,303</b>	<b>1,035</b>	<b>4,554</b>	<b>(981,327)</b>

UNUSABLE RESERVES DETAIL	Revaluation Reserve £'000	Pensions Reserve £'000	Capital Adjustment Account £'000	Deferred Capital Receipts £'000	Financial Instruments Adjustment Account £'000	Collection Fund Adjustment Account £'000	Accumulated Absences Adjustment Account	Total Unusable Reserves £'000
Balance at 31 March 2010 brought forward	(229,059)	745,893	(1,508,193)	(860)	5,303	1,035	4,554	(981,327)
<u>Movement in Reserves during 2010/11</u>								
Other Comprehensive Income and Expenditure	(27,178)	(129,640)	0	0	0	0	0	(156,818)
<b>Total Comprehensive Income and Expenditure</b>	(27,178)	(129,640)	0	0	0	0	0	(156,818)
Adjustments between accounting basis & funding basis under regulations (Note 1)	8,341	(139,487)	363,811	61	(922)	(6,561)	(146)	<b>225,097</b>
<b>Increase/Decrease in 2010/11</b>	(18,837)	(269,127)	363,811	61	(922)	(6,561)	(146)	<b>68,279</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>(247,896)</b>	<b>476,766</b>	<b>(1,144,382)</b>	<b>(799)</b>	<b>4,381</b>	<b>(5,526)</b>	<b>4,408</b>	<b>(913,048)</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	Notes	2010/11			2009/10		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Central services to the public		124,414	(115,608)	8,806	116,732	(111,968)	4,764
Cultural, environmental, regulatory and planning services		100,063	(18,921)	81,142	75,891	(12,553)	63,338
Education and children's services		466,275	(320,994)	145,281	404,496	(282,224)	122,272
Highways and transport services		41,606	(32,981)	8,625	53,549	(39,668)	13,881
Local authority housing (HRA)		142,011	(151,403)	(9,392)	114,669	(183,288)	(68,619)
Exceptional costs of HRA Impairments	15	344,651	0	344,651	0	0	0
Other housing services		222,232	(199,417)	22,815	230,149	(206,353)	23,796
Adult social care		156,970	(37,460)	119,510	152,524	(59,982)	92,542
Corporate and democratic core		27,324	(22,804)	4,520	20,091	(15,852)	4,239
Non distributed costs		(143,568)	0	(143,568)	10,825	0	10,825
<b>COST OF SERVICES</b>		<b>1,481,978</b>	<b>(899,588)</b>	<b>582,390</b>	<b>1,178,926</b>	<b>(911,888)</b>	<b>267,038</b>
Levies				3,431			3,914
Payments to the Government Housing Capital Receipts Pool				2,422			1,273
(Gains)/losses on the Disposal of Non-Current Assets				(18,007)			(12,957)
Other income				(50)			(1,605)
<b>Other Operating Expenditure</b>				<b>(12,204)</b>			<b>(9,375)</b>
Interest Payable and Similar Charges				38,433			40,149
Premium on early repayment of debt				0			6,636
Pensions interest costs and expected return on pensions assets				21,932			29,674
Investment Interest income				(2,959)			(4,660)
<b>Financing and Investment Income and Expenditure</b>				<b>57,406</b>			<b>71,799</b>

	Notes	2010/11			2009/10		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Recognised capital grants and contributions	13b			(67,125)			(26,858)
Council tax – Demand on the Collection Fund				(95,946)			(95,047)
Collection Fund adjustment				(6,561)			1,334
Transfer from Collection Fund in respect of the surplus				(800)			(1,500)
National non-domestic rates redistribution				(186,807)			(171,274)
Overhanging debt grant				0			(14,468)
Non service related government grants	13a			(67,575)			(61,923)
<b>Taxation and Non-Specific Grant Income</b>				(424,814)			(369,736)
<b>(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES</b>				202,777			(40,273)
Revaluation gains				(88,835)			(68,187)
Revaluation & impairment losses not charged to (Surplus) or Deficit on Provision of Services				61,657			0
<b>Surplus or deficit on revaluation of non-current assets</b>				(27,178)			(68,187)
<b>Actuarial gains / losses on pension assets / liabilities</b>				(129,642)			328,679
<b>Other Comprehensive Income and Expenditure</b>				(156,820)			260,492
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>				45,957			220,219

## BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'

	Notes	31 March 2011	31 March 2010	01 April 2009
		£'000	£'000	£'000
Property, Plant & Equipment	1a			
Council dwellings		1,406,484	1,741,817	1,635,077
Other land and buildings		528,591	504,285	460,393
Vehicles, plant, furniture and equipment		30,382	18,052	8,699
Infrastructure		113,248	109,521	99,135
Community assets		7,643	24,526	22,153
Assets under construction		11,942	26,632	73,674
Surplus assets not held for sale		19,219	20,733	12,115
Intangible Assets				
Software	1d	2,900	5,539	6,908
Long-Term Investments				
Non-property investments	6	17,705	10,005	15,005
Long-Term Debtors	5	783	848	1,154
<b>LONG TERM ASSETS</b>		<b>2,138,897</b>	<b>2,461,958</b>	<b>2,334,313</b>
Assets Held for Sale (within less than one year)	2	0	152	1,895
Inventories	3	0	11	3
Short Term Debtors	7	93,637	108,194	119,481
Short Term Investments	6	93,836	67,033	173,233
Cash and Cash Equivalents	8	88,841	118,688	61,259
<b>CURRENT ASSETS</b>		<b>276,314</b>	<b>294,078</b>	<b>355,871</b>
Bank overdraft (Cash and Cash Equivalents)	8	(54,025)	(49,470)	(29,454)
Short Term Borrowing	6	(13,390)	(21,859)	(13,907)
Short Term Creditors	9	(115,620)	(131,322)	(138,058)
Provisions	12	(6,871)	(3,534)	(1,746)
<b>CURRENT LIABILITIES</b>		<b>(189,906)</b>	<b>(206,185)</b>	<b>(183,165)</b>
Long Term Creditors	6	(25,101)	(26,096)	(29,896)
Provisions	12	(5,012)	(15,301)	(23,166)
Long Term Borrowing	6	(600,427)	(600,357)	(661,890)
Other Long Term Liabilities	6			
IAS19 Pension Liability	16	(476,766)	(745,893)	(411,852)
Capital Grants Receipts in Advance	9c	(20,429)	(18,676)	(16,468)
<b>LONG TERM LIABILITIES</b>		<b>(1,127,735)</b>	<b>(1,406,323)</b>	<b>(1,143,272)</b>
<b>NET ASSETS</b>		<b>1,097,570</b>	<b>1,143,528</b>	<b>1,363,747</b>



	31 March 2011	31 March 2010	01 April 2009
	£'000	£'000	£'000
Usable Reserves			
General Fund	(28,965)	(28,716)	(30,953)
LMS balance	(12,052)	(14,485)	(16,244)
Earmarked Reserves	(63,988)	(66,987)	(67,326)
Housing Revenue Account	(696)	(48)	12,217
Capital Receipts Reserve	(28,824)	(30,969)	(33,390)
Capital Grants Unapplied Account	(49,398)	(18,907)	(42,392)
Major Repairs Reserve	(599)	(2,089)	(6,352)
	(184,522)	(162,201)	(184,440)
Unusable Reserves			
Revaluation Reserve	(247,896)	(229,059)	(168,936)
Pensions Reserve	476,766	745,893	411,852
Capital Adjustment Account	(1,144,382)	(1,508,193)	(1,427,939)
Deferred Capital Receipts	(799)	(860)	(863)
Financial Instruments Adjustment Account	4,382	5,303	2,691
Collection Fund Adjustment Account	(5,526)	1,035	(299)
Accumulated Absences Adjustment Account	4,407	4,554	4,187
	(913,048)	(981,327)	(1,179,307)
<b>Total Reserves</b>	<b>(1,097,570)</b>	<b>(1,143,528)</b>	<b>(1,363,747)</b>

Details of usable and unusable reserves are in notes 2 and 3 to the Movement in Reserves Statement

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

	2010/11 £'000	2009/10 £'000
Net (surplus) or deficit on the provision of services	(136,608)	40,272
Adjustments to net surplus or deficit on the provision of services for non cash movements	289,154	163,960
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(95,501)	(147,222)
Net cash flows from Operating Activities (Note 1)	57,045	57,010
Investing Activities (Note 2)	(88,060)	25,221
Financing Activities (Note 3)	(3,386)	(44,817)
Net increase or decrease in cash and cash equivalents**	(34,402)	37,414
Cash and cash equivalents at the beginning of the reporting period (Note 5)	69,218	31,805
<b>Cash and cash equivalents at the end of the reporting period**</b>	<b>34,816</b>	<b>69,219</b>

\*\*Refer to note 8 to the Balance Sheet.

## NOTES TO THE ACCOUNTS (GENERAL)

### 1. Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2009/10 IFRS-based restated financial statements.

Balance Sheet	As at 31 March 2010 £'000	As at 1 April 2009 £'000
<b>Net Assets and Equity Under the SORP</b>	<b>1,033,462</b>	<b>1,269,894</b>
IAS 17 SIC 27 Property Leases	190	1,201
IAS 19 Employee Benefits	(366)	(4,187)
IAS 20 & IPSAS 23 Government Grant (Deferred)	46,288	82,260
IAS 20 & IPSAS 23 Government Grant (Capital)	(23,487)	42,392
IFRS 5 Assets Held for Sale	(6,412)	(27,813)
Change from 2008/09	93,853	0
<b>Net Assets Under IFRS</b>	<b>1,143,528</b>	<b>1,363,747</b>

Comprehensive Income and Expenditure	2010/11 £'000
<b>Surplus or Deficit on the Provision for Services - SORP</b>	<b>(24,123)</b>
IAS 19 Employee Benefits	366
IAS 20 & IPSAS 23 Government Grant (Capital)	(22,800)
IFRS 5 Assets Held for Sale	6,286
<b>Surplus or Deficit on the Provision for Services - IFRS</b>	<b>(40,273)</b>

#### 1a) Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Council is the lessee) will be unchanged. Where the Council is the lessor, the regulations (Statutory Instrument No. 2010/454) allow the Council to continue to treat the income from existing leases entered into in accordance with the accounting practices which applied on 31 March 2010, i.e. the same way as it accounted for the income prior to the introduction of the Code.

## Lessor Leases

As at 1 April 2009 the Council (as lessor) had leased 33 properties to third parties where the accounting treatment changed following the introduction of the Code. As at 31 March 2010 the Council had not entered into any new finance leases.

Four of the leases relate to commercial activities. For the two leases with lease terms less than 99 years, only the building element has been treated as finance leases. The land element will continue to be accounted for as operating lease. For the other two with lease terms 99 years and over, both the land and buildings have been de-recognised from the Council's balance sheet.

In all instances a long term debtor has been recognised to reflect the lessee's obligation to make these payments to the Council. The lease payments for these properties are split to give an interest element and an element that reduces the long term debtor.

The remaining 29 leases are for residential leasehold interest. In all instances the council receives a peppercorn rent of between £7 - £100 per annum which falls short of the fair value of the asset and therefore suggests that a premium has been paid up front. In addition, the term of the lease constitutes the major part of the economic life of the asset and has been treated as a finance lease. There is no outstanding debtor to recognise as the Council has already received payment for these assets.

In these circumstances the asset value and all associated balances have been de-recognised from the balance sheet as at 1 April 2009.

As a consequence of classifying these finance leases, the financial statements have been amended as follows:

### **Opening 1 April 2009 Balance Sheet**

<b>Council as Lessor</b>	<b>2009/10 Statements</b>	<b>Adjustments Made</b>
	<b>£'000</b>	<b>£'000</b>
Property Plant and Equipment	459,255	(2,112)
Long Term Debtor	119,481	466
Capital Receipts Deferred	(413)	(466)
Capital Adjustment Account	(1,353,707)	42
Revaluation Reserve	(187,973)	2,070

### **31 March 2010 Balance Sheet**

	<b>2009/10 Statements</b>	<b>Adjustments Made</b>
	<b>£'000</b>	<b>£'000</b>
Long Term Debtor	108,194	(3)
Capital Receipts Deferred	(413)	3

## Lessee Leases

Sixteen lessee leases have been classified as finance leases – one office building (Olive Morris House), one building (Barhill Road) which is on a 99 year lease and is currently being used as a Citizens Advice Bureau, and 14 residential properties.

- Prior to the introduction of the Code these lease payments for Olive Morris House were classified as operating lease payments. The building value had already been recognised on the Council's balance sheet. The Council took a lease in 1972 for 120 years, and the terms of the lease required that the council pay for the construction of the property in return for a significantly reduced market rent. The construction cost has been interpreted as the 'upfront premium' with the lease rental payments being in respect of only the land. The land has therefore been recognised as an asset on the balance sheet together with a matching finance lease liability.
- On the second building (Barhill Road) the Council has taken a 99 year lease on the property then sublet it to a Citizens Advice Bureau at a peppercorn rent of £30 per annum for the same lease term. The Council has

- Of the 14 residential lessee leases, nine had already been recognised on the balance sheet as a part of the Council's dwelling rent portfolio. These have been valued annually on an existing use valuation basis and are revalued, depreciated and/or impaired in line with the Code's capital accounting regime. As such the Council has concluded that no further amendments are required.

The five remaining properties have been included in the balance sheet at nominal values and will be fully revalued as a part of the valuation cycle in 2011/12. The values at the inception of the lease were very low and are not deemed to material.

As a consequence of classifying the above as finance leases, the financial statements have been amended as follows:

#### Opening 1 April 2009 Balance Sheet

	2009/10 Statements £'000	Adjustments Made £'000
Property Plant and Equipment	459,255	3,250
Finance Lease - Long Term Liability	(691,400)	(392)
Finance Lease - Long Term Liability Payment	(691,400)	6
Revaluation Reserve	(187,973)	(2,858)
CAA - Finance Lease - MRP	(1,353,704)	(6)

#### 31 March 2010 Balance Sheet

	2009/10 Statements £'000	Adjustments Made £'000
Finance Lease - Long Term Liability Payment	(626,067)	0
CAA - Finance Lease - MRP	(1,393,962)	0
[Note the actual value is £342]	(626,067)	0

#### 2008/09 Comprehensive Income and Expenditure Statement

	2008/09 Statements £'000	Adjustments Made £'000
<b>NET COST OF SERVICES</b>		
Central services to the public	14,663	0
Cultural, environmental and planning services	60,827	0
Education and children's services	93,306	0
Highways and transport services	1,515	0
Local authority housing (HRA)	(16,458)	(5)
Other housing services (non-HRA)	24,991	0
Adult social care	98,549	0
Corporate and democratic core	(1,438)	(51)
Non-distributed Costs	6,514	0
Exceptional Items – Impairment of property	90,376	0
<b>COST OF SERVICES</b>	<b>372,845</b>	<b>(56)</b>

## 2009/10 Comprehensive Income and Expenditure Statement

	2009/10 Statements	Adjustments Made
	£'000	£'000
<b>NET COST OF SERVICES</b>		
Central services to the public	4,751	0
Cultural, environmental and planning services	64,856	0
Education and children's services	119,045	0
Highways and transport services	14,087	0
Local authority housing (HRA)	(69,818)	(1)
Other housing services (non-HRA)	23,353	0
Adult social care	92,102	0
Corporate and democratic core	6,325	(43)
Non-distributed Costs	3,751	0
Exceptional Items – Impairment of property	0	0
<b>COST OF SERVICES</b>	<b>258,452</b>	<b>(44)</b>

The interest element of the lease payment for the land has been charged to the 'Other Interest Payable and similar charges' line in surplus or Deficit on the Provision of Services.

The net increase in the Surplus or Deficit on the Provision of Services is removed by the transfer of the depreciation charge to the Capital Adjustment Account. This transfer is shown in the Movement in Reserves Statement.

### 1b) Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement which are built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used. To account for this a provision is set up in the opening balance sheet with a corresponding amount being transferred to an reserve, the Accumulated Absences Account.

Accruing for Short Term Accumulating Compensated Absences has resulted in the following changes being made to the 2009/10 financial statements:

### Opening 1 April 2009 Balance Sheet

	2009/10 Statements	Adjustments Made
	£'000	£'000
Provisions	(20,725)	(4,187)
Accumulated Absences Account	0	4,187

### 31 March 2010 Balance Sheet

	2009/10 Statements	Adjustments Made
	£'000	£'000
Provisions	(14,282)	(4,554)
Accumulated Absences Account	0	4,554

## 2009/10 Comprehensive Income and Expenditure Statement

	2009/10 Statements	Adjustments Made
	£'000	£'000
<b>NET COST OF SERVICES</b>		
Central services to the public	4,751	13
Cultural, environmental, regulatory and planning services	64,856	119
Education and children's services	119,045	34
Highways and transport services	14,087	0
Local authority housing (HRA)	(69,818)	(50)
Other housing services	23,353	(93)
Adult social care	92,102	215
Corporate and democratic core	6,325	128
Non-distributed Costs	3,751	0
<b>COST OF SERVICES</b>	<b>258,452</b>	<b>366</b>

### 1c) Government Grants

#### Capital Grants

The Code introduced the concept of grants with 'return to grantor' conditions and without 'return to grantor' conditions'

Where no conditions exist, the accounting entries required to restate the 1 April 2009 balance sheet are:

	2009/10 Statements	Adjustments Made
	£'000	£'000
Capital Grants Unapplied	(58,860)	42,392
Capital Grants Unapplied (Reserves)	0	(42,392)

Where conditions exist, the accounting entries required to restate the 1 April 2009 balance sheet are:

	2009/10 Statements	Adjustments Made
	£'000	£'000
Capital Grants Unapplied	(58,860)	16,468
Capital Grants Receipt in Advance	0	(16,468)

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet.

**Opening 1 April 2009 Balance Sheet:**

	2009/10 Statements	Adjustments Made
	£'000	£'000
Government Grant Deferred Account	(82,260)	82,260
Capital Adjustment Account	(1,353,704)	(82,260)

Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

**2009/10 Comprehensive Income and Expenditure Statement**

	2009/10 Statements	Adjustments Made
	£'000	£'000
<b>NET COST OF SERVICES</b>		
Central services to the public	4,751	0
Cultural, environmental, regulatory and planning services	64,856	0
Education and children's services	119,045	3,194
Highways and transport services	14,087	0
Local authority housing (HRA)	(69,818)	102
Other housing services	23,353	536
Adult social care	92,102	226
Corporate and democratic core	6,325	0
Non-distributed Costs	3,751	0
<b>COST OF SERVICES</b>	<b>258,452</b>	<b>4,057</b>

Government Grants and Contributions	0	(26,858)
<b>TAXATION AND NON-SPECIFIC GRANT INCOME</b>	<b>0</b>	<b>(26,858)</b>

Grants were received in 2009/10 but not used. Previously, no income was recognised in respect of these grants, which were shown in the Capital Grants Unapplied Account within the liabilities section of the balance sheet. Following the change in accounting policy, where there are no conditions attached, the grants have been recognised in full and transferred to the Capital Grants Unapplied Account within the reserves section of the balance sheet.

The accounting entries required to restate the 1 April 2010 balance sheet are:

**31 March 2010 Balance Sheet**

	2009/10 Statements	Adjustments Made
	£'000	£'000
Government Grant Deferred	(128,548)	46,288
Capital Grant Unapplied	(37,582)	(46,288)



### 31 March 2010 Balance Sheet

	2009/10 Statements	Adjustments Made
	£'000	£'000
Capital Grant Unapplied	(37,582)	(21,279)
Capital Grant Receipt in Advance	0	(2,208)
Capital Grant Unapplied Account	0	23,487

### 1d) Assets Held for Sale

The Code provides for a new classification of asset Held for Sale (HfS). These must be expected to be sold within 12 months of the balance sheet date should be in the process of being actively marketed. The Council has reviewed all assets classified as surplus under the SORP and has concluded that they continue to meet all the 'held for sale' criteria. For those assets not sold at 31 March 2009, they have been reclassified as assets held for sale within more than one year (£37m) and less than one year (£4m).

The new categories require a different valuation basis from previous.

The accounting entries required to restate the 1 April 2009 balance sheet are:

### Opening 1 April 2009 Balance Sheet:

	2009/10 Statements	Adjustments Made
	£'000	£'000
Surplus Assets	41,824	(29,709)
Held for Sale less than one year	0	1,895
Revaluation Reserves	(187,973)	20,029
Capital Adjustment Account	(1,353,704)	7,785

### 2009/10 Comprehensive Income and Expenditure Statement

	2009/10 Statements	Adjustments Made
	£'000	£'000
<b>NET COST OF SERVICES</b>		
Central services to the public	4,751	0
Cultural, environmental, regulatory and planning services	64,856	0
Education and children's services	119,045	0
Highways and transport services	14,087	0
Local authority housing (HRA)	(69,818)	1,053
Other housing services	23,353	0
Adult social care	92,102	0
Corporate and democratic core	6,325	(5)
Non-distributed Costs	3,751	7,074
<b>COST OF SERVICES</b>	<b>258,452</b>	<b>8,122</b>
Loss/(Gain) on disposal of non-current assets	(11,120)	(1,837)
<b>OTHER OPERATING EXPENDITURE</b>	<b>(11,120)</b>	<b>(1,837)</b>

## 31 March 2010 Balance Sheet

	2009/10 Statements	Adjustments Made
	£'000	£'000
Surplus Assets	55,103	(4,669)
Held for Sale less than one year	0	(1,743)
Revaluation Reserves	(248,024)	118
Capital Adjustment Account	(1,393,962)	6,294

## 2. Critical Judgements in Applying Accounting Policies

In applying its accounting policies the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

### ***Future of Local Government***

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

### ***Provisions and Contingent Liabilities***

The assessment of whether a provision, which effects the Council's financial position, should be recognised, or if the matter should be recognised as a contingent liability in a disclosure note to the accounts, is based on the application of the rules in IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

The interpretation of the rules of IAS 37 is particularly challenging with respect to legal cases as a judgement needs to be made as to whether it is more likely than not that a settlement will take place; this depends on what occurs in court rather than a measure of mathematical probability.

The experience of the Council's internal legal function is utilised to determine how current legal cases are likely to conclude and the possible financial impact of the outcome of the case.

Specifically, the issue of whether we need to make provision for potential legal action arising from changing legislation on land charges took careful consideration; it was eventually decided that, as any potential litigation would be highly complex and would also be influenced by other legislation, notably that surrounding "unjust enrichment", there was not enough certainty around either the timing, amount or even outcome of such litigation to justify a provision and this matter is accordingly held as a contingent liability.

Similarly, the issue of whether or not the Council would need to repay grants or otherwise indemnify parties in the matter of a procurement exercise for a Combined Heating and Power system for use in some of its housing stock is so far from reaching a verdict, or even a clear interpretation of the facts in the matter, that a provision was not thought to be the appropriate treatment, even though it concerns the unknown future outcomes of a past event.

### ***Restructures and Redundancies***

The Council has not made a provision for staff redundancies, as it not able to make a reliable estimate of the amount that might be required to settle the provision in 2011/12. Instead, the Council has set aside a prudent earmarked reserve intended to cover the future impact of decisions taken in 2010/11 regarding the future size and structure of the organisation.

### ***Service Concessions***

The Council is deemed to control the services provided under the outsourcing agreement for waste management. The accounting policies for PFI schemes and similar contracts were applied to the arrangement when IFRIC 12: Service Concession Arrangements was introduced for the 2009/10 accounts. The vehicles used to deliver the agreement (valued at £4.8m at 31 March 2011) continue to be recognised as Property, Plant and Equipment on the Council's Balance Sheet.

The Council is deemed to control the services provided under the outsourcing agreement for Home to School Transport Services. The accounting policies for PFI schemes and similar contracts were applied to the arrangement when IFRIC 12 was introduced for the 2009/10 accounts. The vehicles used to deliver the agreement (valued at £1.2m at 31 March 2011) continue to be recognised as Property, Plant and Equipment on the Council's Balance Sheet.

The Council has reviewed its other significant contractual arrangements and has determined that none of these give rise to a service concession under IFRIC 12 or embedded lease arrangement under IFRIC 4: Determining Whether an Arrangement Contains a Lease.

### ***Group Accounts***

The Council has considered the relationships it has with other entities, and has determined that Group Accounts do not need to be produced because, where the Council has control over other entities, the effect of preparing Group Accounts would not be material on the financial statements.

### ***Pensions Liabilities***

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The actuaries Hymans Robertson LLP provide the Council with an estimation of the pension liability that considers these judgements.

As at 31 March 2011, the pension liability for Lambeth was assessed, on this basis, at £1,201.6m with a further £58.3m for Lambeth employees in pension plans with the London Pension Fund Association – a total of £1,254.9m. (Due to the nature of the Teachers' Pension Scheme, the liability for Lambeth-employed teachers in occupational pension plans cannot be calculated.)

### ***Termination benefits***

This is covered above under "restructures and redundancies."

### ***Accounting standards issued but not adopted***

The Council has not made any decisions requiring a departure from the Code (see note 4 below)..

### ***Amounts reported for resource allocation decisions and reconciliations: segment reporting***

Lambeth has not made any decisions requiring a note under this heading.

## **3. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

There are no items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year.

## **4. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted**

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted in the 2011/12 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council, in this case, heritage assets.

The Council is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements.

The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by the Council include public artwork at Brixton Central Square & White Hart Dock.

The artwork is currently accounted for at depreciated historic cost. The code requires that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information).

The Council is of the view that obtaining valuations for these assets would involve a disproportionate cost of obtaining the information in comparison to the users of the benefits to the users of the financial statements – this exemption is permitted by the 2011/12 code.

The carrying value of the heritage assets currently held in the Balance Sheet as Community Assets (at cost) within Property, Plant and Equipment at 1 April 2010 (under the requirements of the new code) is £354k.

It is estimated that the total value of heritage assets to be recognised in the Balance Sheet at 1 April 2010 will therefore be £354k.

There is no depreciation charge on the heritage assets that are currently classified as community assets because it has been estimated that the assets have a finite useful life. There will therefore be no change to the depreciation charged in the financial statements in relation to the Council's heritage assets.

Description	£'000
Public Art for Brixton Central Square	79,194
White Hart Dock (Public Art Project)	275,060
<b>Carrying Value 1 April 2010</b>	<b>354,254</b>
Movement in Revaluation Reserve Based on Insurance Valuation (verified by external valuers)	0
<b>Heritage Assets recognised for the first time at cost as at 1 April 2010</b>	<b>354,254</b>
Additions	157,704
<b>Carrying Value as at 31 March 2011</b>	<b>511,958</b>

## NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

### 1. Amounts Reported for Resource Allocation Decisions (Segment Reporting)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Council's principal directorates recorded in the budget reports for the year is as follows:

Departmental Income and Expenditure									
2010/11	ACS £'000	CYPS £'000	F&R £'000	OCE £'000	HRE GF £'000	Special Items £'000	Total GF £'000	HRE HRA £'000	Total Council £'000
Fees, charges & other service income	(14,692)	(8,297)	(29,429)	(288)	(64,429)	(5,634)	(122,770)	(158,596)	(281,367)
Government grants	(50,012)	(337,726)	(273,096)	(7,984)	(4,872)	(65,891)	(739,582)	9,436	(730,146)
<b>Total Income</b>	<b>(64,704)</b>	<b>(346,023)</b>	<b>(302,526)</b>	<b>(8,272)</b>	<b>(69,301)</b>	<b>(71,526)</b>	<b>(862,352)</b>	<b>(149,160)</b>	<b>(1,011,513)</b>
Employee expenses	48,043	223,843	31,656	7,899	36,725	(212,910)	135,256	5,946	141,202
Other service expenses	143,121	254,278	309,820	8,020	322,357	233,542	1,271,139	437,112	1,708,251
Support service recharges	10,343	11,878	(26,784)	(11,186)	(9,172)	(791)	(7,366)	10,488	3,122
<b>Total Expenditure</b>	<b>201,508</b>	<b>490,000</b>	<b>314,692</b>	<b>4,733</b>	<b>141,199</b>	<b>19,841</b>	<b>1,171,974</b>	<b>148,512</b>	<b>1,320,486</b>
<b>Net Expenditure</b>	<b>136,804</b>	<b>143,977</b>	<b>12,166</b>	<b>(3,540)</b>	<b>71,898</b>	<b>(51,685)</b>	<b>309,622</b>	<b>(648)</b>	<b>308,974</b>

Departmental Income and Expenditure									
2009/10	ACS £'000	CYPS £'000	F&R £'000	OCE £'000	HRE GF £'000	**Special Items £'000	Total GF £'000	HRE HRA £'000	Total Council £'000
Fees, charges & other service income	(32,945)	(93,102)	(104,056)	(15,250)	(88,227)	0	(333,580)	(197,844)	(531,424)
Government grants	(29,712)	(250,250)	(277,696)	(2,524)	(10,798)	0	(570,979)	(41,463)	(612,441)
<b>Total Income</b>	<b>(62,656)</b>	<b>(343,351)</b>	<b>(381,752)</b>	<b>(17,773)</b>	<b>(99,025)</b>	<b>0</b>	<b>(904,558)</b>	<b>(239,307)</b>	<b>(1,143,865)</b>
Employee expenses	45,248	204,533	60,638	10,050	35,201	0	355,670	6,000	361,671
Other service expenses	133,958	239,988	358,379	7,725	124,179	0	864,230	206,683	1,070,913
Support service recharges	11,488	13,842	(41,712)	0	9,881	0	(6,502)	14,122	7,620
<b>Total Expenditure</b>	<b>190,694</b>	<b>458,363</b>	<b>376,701</b>	<b>17,775</b>	<b>169,262</b>	<b>0</b>	<b>1,212,795</b>	<b>227,059</b>	<b>1,439,854</b>
<b>Net Expenditure</b>	<b>128,037</b>	<b>115,012</b>	<b>(5,051)</b>	<b>2</b>	<b>70,237</b>	<b>0</b>	<b>308,237</b>	<b>(12,248)</b>	<b>295,989</b>

\*\*Special Items was contained in F&R for 2009/10

### **Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2010/11 £'000	2009/10 £'000
Net expenditure in the [Directorate] Analysis	<b>308,973</b>	295,989
Net expenditure of services and support services not included in the Analysis	<b>0</b>	5,904
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	<b>344,651</b>	0
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	<b>(71,235)</b>	(43,442)
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>582,390</b>	258,451

The Cost of Services of £258,451k represents the audited 2009/10 figure per the 2009 SORP.

### **Reconciliation to Subjective Analysis**

This reconciliation shows how the figures in the analysis of [directorate] income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to manage- ment for decision- making £'000	Amounts not included in I&E £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service	(281,367)	0	0	109,419	0	0	0	<b>(171,772)</b>
Government Grants	(730,146)	0	0	0	0	0	0	<b>(730,146)</b>
Interest and investment income	0	0	0	0	0	0	(3,009)	<b>(2,959)</b>
Income from council tax	0	0	0	0	0	0	(103,307)	<b>(103,307)</b>
Non-Specific Government Grants	0	0	0	0	0	0	(67,575)	<b>(67,575)</b>
Government grants and contributions	0	0	0	0	0	0	(67,125)	<b>(67,125)</b>
NNDR	0	0	0	0	0	0	(186,807)	<b>(186,807)</b>
<b>Total Income</b>	<b>(1,011,513)</b>	<b>0</b>	<b>0</b>	<b>109,419</b>	<b>0</b>	<b>0</b>	<b>(427,823)</b>	<b>(1,329,741)</b>



2010/11	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to manage- ment for decision- making £'000	Amounts not included in I&E £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Employee expenses	141,202	0	0	0	0	0	0	141,202
Other service expenses	1,176,162	0	0	(180,654)	0	0	0	995,508
Support Service recharges	3,122	0	0	0	0	0	0	3,122
Depreciation, amortisation and impairment	0	0	344,651	0	0	0	0	344,651
Interest Payments	0	0	0	0	0	0	38,433	38,433
Precepts & Levies	0	0	0	0	0	0	3,431	3,431
Pensions interest cost less return on assets	0	0	0	0	0	0	21,932	21,932
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	2,422	2,422
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	(18,007)	(18,007)
<b>Total expenditure</b>	<b>1,320,486</b>	<b>0</b>	<b>344,651</b>	<b>(180,654)</b>	<b>0</b>	<b>0</b>	<b>48,211</b>	<b>1,532,694</b>
<b>Surplus or deficit on the provision of services</b>	<b>308,973</b>	<b>0</b>	<b>344,651</b>	<b>(71,235)</b>	<b>0</b>	<b>582,390</b>	<b>(379,612)</b>	<b>202,777</b>

2009/10	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to manage- ment for decision- making £'000	Amounts not included in I&E £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service	(542,797)	(3,365)	0	0	0	0	0	(546,162)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0	0
Interest and investment income	0	0	0	0	0	0	(6,265)	(6,265)
Income from council tax	0	0	0	0	0	0	(95,213)	(95,213)
Government grants and contributions	(597,288)	0	0	0	0	0	(61,923)	(61,923)
Overhanging Debt Grant	0	0	0	0	0	0	(14,468)	(14,468)
NNDR	0	0	0	0	0	0	(171,274)	(171,274)
<b>Total Income</b>	<b>(1,140,085)</b>	<b>(3,365)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(349,163)</b>	<b>(1,492,613)</b>
Employee expenses	361,751	2,114	0	0	0	0	0	363,553
Other service expenses	1,023,282	3,222	0	0	0	0	0	1,026,504
Support Service recharges	7,620	3,933	0	0	0	0	0	11,553
Depreciation, amortisation and impairment	0	0	0	0	0	0	0	0
Interest Payments	0	0	0	0	0	0	76,415	76,415
Precepts & Levies	0	0	0	0	0	0	0	0
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	1,273	1,273
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	(11,120)	(11,120)
<b>Total expenditure</b>	<b>1,392,653</b>	<b>9,269</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>66,568</b>	<b>1,468,178</b>
<b>Surplus or deficit on the provision of services</b>	<b>252,568</b>	<b>5,904</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(282,595)</b>	<b>(24,123)</b>

The surplus of £24,123k represents the audited 2009/10 figure per the 2009 SORP.

## 2. Material Items of Income and Expense

### Impairment

Exceptional items, are costs or income items that need to be separately disclosed in order to provide a better view of the accounts. These items normally arise from outside the usual course of a Authority's business and they are very often one-off items. During 2010-11 the Council recognised an impairment loss of £3.8m in relation to Elmcourt School. The building was demolished to make way for Elmgreen School which is first parent promoted school in the country and first local authority school to be built in Lambeth for over forty years. The authority has recognised the £3.8m impairment as an exceptional item for a true reflection Children and Young Peoples department's performance while also recognising this one off activity.

## 3. Street Market Operations

Income from market operations arises from the issue of annual licences to stall holders and casual market traders at all markets currently operated by the Council. Expenditure includes the cost of providing facilities for markets, erection and dismantling of stalls, where applicable, and the collection of rents from market traders.

	2010/11	2009/10
	£'000	£'000
Income	(472)	(403)
Expenditure	391	481
Deficit/(Surplus)	(81)	78

## 4. Parking Places Revenue Account

Surpluses made on the **Parking Places Revenue Account** must be used on defined transport schemes, unless deficits have been incurred in the previous four financial years, in which case the contributions made by the General Fund can be recovered.

	2010/11	2009/10
	£'000	£'000
Income	(19,294)	(18,026)
Expenditure	12,880	16,290
(Surplus)/Deficit for the year	(6,414)	(1,736)

### Use of Surplus

Concessionary Fares	2,000	2,500
Road Safety	297	224
Other Highways Expenditure	2,693	4,424
Structural Maintenance inc. Footways & Carriageways	964	1,150
Transport Planning	279	296
Aids to Movement, Furniture & Fittings	129	135
Lighting excl. PFI and energy costs	0	0
Repairs & Maintenance	0	160
Other Contributions to Transport Related Works	52	3,827
(Surplus) / Deficit for year	0	10,980

## 5. Building Operations Trading Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function – "details of scheme for setting charges". However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice

and liaising with other statutory authorities. The table shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

#### Building Regulations Charging Account 2010/11

	Chargeable £'000s	Non- Chargeable £'000s	Total Building Control £'000s
<b>Expenditure</b>			
Employees	606	191	798
Premises	0	0	0
Transport	7	2	8
Supplies & Services	50	12	62
Third Party Payments	0	0	0
Central & Support Charges	139	35	174
	<b>802</b>	<b>241</b>	<b>1,042</b>
<b>Income</b>			
Building Regulations Charges	(665)	0	(665)
Miscellaneous Income	0	0	0
	<b>(665)</b>	<b>0</b>	<b>(665)</b>
<b>(Surplus)/Deficit for the Year</b>	<b>137</b>	<b>241</b>	<b>377</b>

#### Building Regulations Charging Account 2009/10

	Chargeable £'000s	Non- Chargeable £'000s	Total Building Control £'000s
<b>Expenditure</b>			
Employees	675	169	844
Premises	0	0	0
Transport	7	2	9
Supplies & Services	39	10	49
Third Party Payments	12	3	15
Central & Support Charges	136	35	171
	<b>869</b>	<b>219</b>	<b>1,088</b>
<b>Income</b>			
Building Regulations Charges	(938)	0	(938)
Miscellaneous Income	(32)	0	(32)
	<b>(970)</b>	<b>0</b>	<b>(970)</b>
<b>(Surplus)/Deficit for the Year</b>	<b>(101)</b>	<b>219</b>	<b>118</b>

## 6. Pooled Budgets

### Pooled Budgets under s31 Health Act 1999

The Council has one such scheme. Adult Learning Disabilities (ALD) is in partnership with Lambeth PCT with the Council becoming accountable to the PCT for the discharge of its (the PCT's) statutory commissioning obligations. The gross income and expenditure are shown below.

	2010/11	2009/10
	£'000	£'000
Income		
From LB Lambeth	(21,277)	(21,956)
From Lambeth PCT	(14,200)	(13,083)
<b>Total income</b>	<b>(35,477)</b>	<b>(35,039)</b>
<b>Total Expenditure</b>	<b>35,477</b>	<b>35,039</b>

## 7. ALMO – Arm's Length Management Organisations

**United Residents Housing (URH):** The Council is the sole member of United Residents Housing Limited (URH), an Arms Length Management Organisation, which was incorporated on 31 May 2007. URH is a controlled company of the Council, and is limited by guarantee.

There is a management agreement between URH and the Council, which provides that URH will manage part of the delegated budgets within the HRA for capital expenditure and planned maintenance. The management fee paid to United Residents Housing in 2010/11 was £697,488. The Council has determined that the transactions with URH are not of a material nature and therefore there is no requirement to incorporate in group accounts.

**Lambeth Living Ltd (LL):** From 1 July 2008 the Council established an arm's length management organisation (ALMO) with responsibility for managing the remainder of its housing stock. The ALMO (Lambeth Living Ltd) is a company limited by guarantee, wholly owned by the Borough of Lambeth. The establishment of this ALMO has not involved any change in the ownership of the housing stock and the property managed by the ALMO remains within the Housing Revenue Account (HRA). Budgets for maintenance of housing stock and capital schemes are delegated to the ALMO acting as agent for the Council.

The management fee paid to Lambeth Living Ltd in 2010/11 was £25,383,962. Transactions with the company are contained within the Housing Revenue Account. With the creation of the ALMO, many staff were transferred from the Council, and the Council undertook to guarantee the funding shortfall, if any, accrued in relation to pension benefits up to the day that the transfer occurred. The FRS 17 report produced by the actuary for Lambeth Living shows the value of this guarantee to be no more than £4.4m as at 31 March 2011, ( £14.4m as at 31 March 2010).

The Council is of the view that there is no requirement to incorporate Lambeth Living's accounts in group accounts because Lambeth Living acts as an agent of the Council, having no material fixed assets of its own, and earning no material income other than the management fee that the Council pays it. Thus, any group accounts would not be significantly different from those of the single entity accounts.

## 8. Agency Services

### a) Thames Water Income and Expenditure

The Council acts as an agent for Thames Water Utilities Limited in its capacity as a Local Housing Authority, whereby the Council collects charges on behalf of Thames Water. The transactions are as shown below.

	2010/11	2009/10
	£'000	£'000
Charges receivable	(7,845)	(7,650)
Amount paid to Thames Water	6,396	6,242
Collection cost	1,449	1,408

### b) Agency Income and Expenditure

The Council acts as an agent for the Primary Care Trust, whereby the Council pays the Care Providers gross and then collects the Nursing Care element from the PCT. This arrangement started in April 2004. (In 2003/04 Care Providers invoiced the PCT directly). The transactions for 2010/11 are shown below,

and include four types of services namely Older Persons, Physical Disabilities, Learning Disabilities and Mental Health. The movement from 2009/10 levels is due to increased number of clients identified as entitled to Free Nursing Care and corresponding charge to the PCTs.

	2010/11	2009/10
	£'000	£'000
Nursing Care cost	1,577	1,374
PCT Contribution	(1,577)	(1,374)

### c) Business Improvement District Income and Expenditure

Lambeth Council acts as billing authority for the Waterloo Quarter Business Alliance, a Business Improvement District, which came into effect on 1 April 2006 (previously it was funded by regeneration grant as a pilot scheme known as Circle Waterloo). Under this arrangement, in 2010/11 £263k of income was raised on behalf of WQBA, of which £20k was reimbursed to meet the costs of collection by Capita (£284k in 2009/10, and £20k). The Council does not incur any liabilities as a result of this agreement.

### 9. Members' Allowances

Members' allowances in respect of their duties were as follows:

	2010/11	2009/10
	£'000	£'000
Basic Allowance	666	670
Special Responsibility Allowance	488	494
Travel Allowance/Subsistence	1	1
Telephone Allowance	15	16
	<b>1,181</b>	<b>1,170</b>

## 10a. Senior Officers' Remuneration

Disclosure of remuneration for Senior Officers - salary is £150,000 or more per year

Post Title	Name	Salary, Fees & Allowances 2010/11 £	Expense Allowances 2010/11 £	Total Remuneration excluding employers' pension contributions 2010/11 £	Employers' pension contributions 2010/11 £	Total Remuneration including employers' pension contributions 2010/11 £
Chief Executive	Derrick Anderson	213,629	2,334	215,963	30,976	246,939
Executive Director - Finance & Resources	Mike Suarez	152,190	2,334	154,524	22,068	176,592
Executive Director - Children & Young People's Service	Phyllis Dunipace <sup>1</sup>	92,051	889	92,940	7,831	100,771
Executive Director - Children & Young People's Service	Deborah Jones <sup>2</sup>	99,693	0	99,693	14,237	113,930
Executive Director - Adult & Community Services	Jo Cleary	152,190	2,334	154,524	22,068	176,592
Executive Director - Housing, Regeneration & Environment	Susan Foster <sup>3</sup>	63,412	973	64,385	9,195	73,580
Headteacher - Wyvil School	Christopher Toye	132,462	0	132,462	17,949	150,411
Headteacher - Lansdowne Special School	Ginni Bealing	138,006	0	138,006	15,322	153,328
Executive Headteacher - Federation of Kingswood & Elmwood Primary Schools & Children's Centres	Craig Tunstall	186,203	0	186,203	25,949	212,152
Headteacher & Executive Director of the Stockwell & Jessop Primary Schools Federation	Janet Mulholland	152,716	0	152,716	21,533	174,249
		<b>1,382,552</b>	<b>8,864</b>	<b>1,391,416</b>	<b>187,128</b>	<b>1,578,544</b>

1. Phyllis Dunipace resigned as Executive Director of the Children & Young People's Service on 8 August 2010.
2. Deborah Jones joined on 9 August 2010, replacing Phyllis Dunipace, with an annualised salary of £154,524.
3. Susan Foster joined on 1 November 2010 on an annualised salary of £154,524. She replaced an Interim Director.

Post Title	Name	Salary, Fees & Allowances 2009/10 £	Expense Allowances 2009/10 £	Total Remuneration excluding employers' pension contributions 2009/10 £	Employers' pension contributions 2009/10 £	Total Remuneration including employers' pension contributions 2009/10 £
Chief Executive	Derrick Anderson <sup>1</sup>	233,316	2,334	235,650	34,186	269,836
Executive Director - Finance & Resources	Mike Suarez	152,190	2,334	154,524	22,068	176,592
Executive Director - Children & Young People's Service	Phyllis Dunipace	152,190	2,334	154,524	22,068	176,592
Executive Director - Adult & Community Services	Jo Cleary	152,190	2,334	154,524	22,068	176,592
Executive Director - Housing, Regeneration & Environment	Chris Lee <sup>2</sup>	47,280	703	47,983	6,644	54,627
Headteacher - Rosendale Primary School	Wendy Jacobs	148,504	0	148,504	20,939	169,443
Headteacher - Lansdowne Special School	Ginni Bealing	138,006	0	138,006	15,322	153,328
Executive Headteacher - Federation of Kingswood & Elmwood Primary Schools & Children's Centres	Craig Tunstall	137,881	0	137,881	13,954	151,835
Headteacher & Executive Director of the Stockwell & Jessop Primary Schools Federation	Janet Mulholland	137,841	0	137,841	19,436	157,277

<b>1,299,398</b>	<b>10,039</b>	<b>1,309,437</b>	<b>176,685</b>	<b>1,486,122</b>
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1: Derrick Anderson's Salary, Fees & Allowances amount includes backpay in respect of 2008/09 (£15,824) and compensation for withdrawal of Performance Related Pay (£3,862)

2: Chris Lee resigned as Executive Director - Housing, Regeneration & Environment on 19 July 2009, his annualised salary was £152,190. He was replaced by an interim employee.



## 10b. Remuneration Details – Higher Earners

The numbers of employees whose remuneration, excluding pension contributions, was £50,000 or more shown in bands of £5,000:

Remuneration band	Number of employees	
	2010/11	2009/10
£50,000-£54,999	198	186
£55,000-£59,999	108	73
£60,000-£64,999	59	51
£65,000-£69,999	38	33
£70,000-£74,999	36	26
£75,000-£79,999	19	26
£80,000-£84,999	24	17
£85,000-£89,999	5	10
£90,000-£94,999	15	10
£95,000-£99,999	8	6
£100,000-£104,999	4	8
£105,000-£109,999	7	0
£110,000-£114,999	6	6
£115,000-£119,999	1	1
£120,000-£124,999	2	1
£125,000-£129,999	1	0
£130,000-£134,999	1	0
£135,000-£139,999	0	3
£140,000-£144,999	0	0
£145,000-£149,999	0	1
£150,000-£154,999	3	3
£155,000-£159,999	0	0
£160,000-£164,999	0	0
£165,000-£169,999	0	0
£170,000-£174,999	0	0
£175,000-£179,999	0	0
£180,000-£184,999	0	0
£185,000-£189,999	1	0
£190,000-£194,999	0	0
£195,000-£199,999	0	0
£200,000-£204,999	0	0
£205,000-£209,999	0	0
£210,000-£214,999	0	0
£215,000-£219,999	0	0
£220,000-£224,999	0	0
£225,000-£229,999	1	0
£230,000-£234,999	0	0
£235,000-£239,999	0	1

## 11. External Audit Costs

For the financial year 2010/11, the planned audit fee payable to Deloitte LLP with respect to the statutory audit was **£0.508m** (£0.535m in 2009/10). Two further elements are payable to Deloitte LLP relating to the Certification of Grants Claims and Returns and the audit of the Local Government Pension Scheme, estimated at £0.14m and £0.035m respectively (£0.15m and £0.039m in 2009/10). An additional amount is paid for work on the Myatts Fields PFI but this amount is immaterial to the account

Fees payable to the Audit Commission in 2010/11 with respect to the “Managing Performance Theme of Organisation Assessment” element of the CAA was **£0.02m**.

	2010/11 £	2009/10 £
Statutory audit fee	508,372	534,785
Pension scheme and grant claims audit fee	143,690	150,000
	<b>652,062</b>	<b>684,785</b>

## 12. Publicity Expenditure

The council's publicity expenditure is set out below, under the requirements of Section 5(l) of the Local Government Act 1986

	2010/11 £'000	2009/10 £'000
Recruitment Advertising	268	529
Other Advertising	161	178
Promotions & Other Publicity	508	711
	<b>937</b>	<b>1,418</b>

### 13. Grant Income and Contributions

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

#### 13a.

	2010/11 £'000	2009/10 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Non Specific Related Government Grants (RSG & ABG)	(67,575)	(61,923)
<b>Total</b>	<b>(67,575)</b>	<b>(61,923)</b>
<b>Credited to Services</b>		
LAA – Performance Reward Grant – Revenue	(3,448)	0
DCLG – Private Finance Initiative Special Grant (PFI)	(5,433)	0
Standard Fund	(27,304)	(25,087)
Sure Start Early Years	(17,347)	(15,381)
Dedicated Schools Grant	(183,721)	(177,221)
School Standard Grant Formula Developed	(11,062)	(4,890)
HB Additional Administration Grant (DWP SUBSIDY)	(4,751)	0
SSG Personalisation Grant	(2,157)	(2,104)
Future Jobs Fund 1 (07-125) & 2	(1,856)	0
NON HRA Rent Rebate (Housing & Council Tax)	(15,342)	0
Rent Allowance Subsidy (Housing & Council Tax)	(142,346)	0
Council Tax Benefit (Housing & Council Tax)	(29,795)	(267,005)
HRA Rent Rebate Subs	(79,806)	(30,371)
Street Population Grant ( Homelessness)	(2,201)	(2,562)
YPLA (LSC) F E Grant	(4,771)	0
Clapham Park	(1,555)	0
LSC_Adult & Community Learning	(2,558)	0
Adult learning	0	(2,499)
Sixth Form	0	(5,728)
Supporting People Programme	0	(20,867)
Lilian Baylis School	0	(1,935)
Other Grants – Revenue (under 1.5m)	(13,697)	(19,877)
<b>Total</b>	<b>(616,725)</b>	<b>(637,450)</b>

#### 13b.

	2010/11 £000	2009/10 £000
<b>Capital Grant Income and Contributions</b>		
Transport for London	(5,855)	(6,757)
Standard Fund	(44,880)	(18,496)
New Opportunities Fund	0	(1,605)
Sure Start	(2,300)	0
s106 developers' contributions	(1,597)	0
Other Grants - Capital (under £1.5m)	(12,493)	0
<b>Total</b>	<b>(67,125)</b>	<b>(26,858)</b>

## 14. Related Parties

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

Central government has effective control over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (eg housing benefits). Details of transactions with government departments are set out in a note relating to the Cash Flow Statement.

Members of the Council have direct control over the Council's financial and operating policies. During 2010/11 grants to the value of £17,003,956 were paid to organisations in which 28 members had an interest. Details of all these relationships are recorded in the Register of Members' interests or the List of Council's Representatives on Other Bodies and Outside Organisations which is open to public inspection at Lambeth Town Hall. There were 37 declarations returned by members.

In addition the council paid £14,646,354 to Western Riverside Waste Authority in respect of waste disposal charges. The Waste Authority is under common control of central government.

The Council paid £26,081,450 (24,972,347 in 2009/10) to Lambeth Living Limited in respect of management fees. Lambeth Living Limited is a subsidiary of the Council. The amount due from Lambeth Living Limited is shown in note 7b to the balance sheet.

Information in respect of material transactions with related parties is disclosed within the Pension Fund accounts. During the year, no trustees or Council Chief Officers with direct responsibility for the Pension Fund have undertaken transactions with the Pensions Fund. The Council charged the fund £856,000 for expenses incurred in administering the fund. The breakdown of these charges is as follows:

	2010/11 £'000	2009/10 £'000
Pensions Administration	488	509
Pension Fund Administration	254	186
Central Overhead Recharges (BVACOP)	114	96
<b>Total charge to the Pension Fund</b>	<b>856</b>	<b>791</b>

## 15. Exceptional Item

Please refer to HRA note 4 (Vacant possession value) on page 134

## 16. IFRIC 12 Service Concession Arrangements (Including PFI contracts)

The implementation of IFRS has resulted in 5 contracts being brought on to the Balance Sheet and included in the notes to comply with the disclosure requirements for IFRIC 12.

Details of the Contract payments are described below.

The Home to School contract provides transport services for children and young people with special needs being educated in the borough. The contract commenced on the 1<sup>st</sup> August 2007 for an initial term of 5 years. The Council made payments of £2.5m in 2010/11 and commitments for 2011/12 is approximately £2.5m.

The Waste Management contract provides services including; street cleansing, waste collection and disposal, and provide a recycling service. The contract commenced on the 1<sup>st</sup> April 2007 for an initial term of 7 years at an estimated cost of £16m pa plus inflation, variation and performance changes.

In November 2007 a large proportion of the current depot was closed to make way for the building of the Evelyn Grace Academy and Veolia was relocated to operate out of 4 depots on a temporary basis until a new single depot was sourced. Through the lease agreement it was identified that Veolia would take responsibility for the 4 sites which has increase costs by around £1.5 million pa. Other factors that have affected the contract spend are the RPIX rate applied to the contract value. The expected increase for 2010/11 was 4.8% for 2010/11, against the estimated increased at the start of the contract. This was re-negotiated downwards to give a similar expenditure as the previous year. This is expected to continue. .

The Council made payments of £19.4m in 2010/11 and commitments for 2011/12 is similar to the current year figure.

The Lilian Baylis contract became operational in January 2005 and the Council made payments to Focus Education Ltd of £2.4m in 2010/11. In 2011/12 the commitment is approximately £2.5m, though the actual sum paid will be subject to performance levels. The contract is for 25 years, and annual payments will increase by inflation.

In 2010/11 the authority made payments of £2.2m to RM Plc and is committed to making payments estimated at £2.3m for 2011/12 under the contract with RM Plc for the provision of ICT managed services in ten of the authority's schools. The actual level of payments will be subject to indexation and RM Plc's performance.

The Council is committed to make payments to Lambeth Lighting Services Ltd, the street lighting contractor. The contract is for a period of 25 years and the first four years will have seen the majority of the government's £17.2m funding spent on capital improvements. This includes upgrading or replacing all residential street lighting not meeting current standards and installing additional lighting. For 2010/11 these payments amounted to £2.7m with a similar level of expenditure expected in 2011/12.

The Streatham Customer Centre opened at Gracefield Gardens in January 2008. The centre, which is operated in partnership with Lambeth PCT, is based in their building and provides access to the full range of Lambeth Services. The contract with the PCT commenced in October 2007 and the charge for 2010/11 is £439k. The invoice for 2011/12 is expected to be of the same amount adjusted for the effects of inflation.

## NOTES TO THE BALANCE SHEET

A breakdown of non-current assets is shown overleaf.

## 1a. Property, Plant and Equipment

*Movements on Balances*

Movements in 2010/11:

2010/11	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<b>Cost or Valuation</b>								
<b>At 1 April 2010</b>	<b>1,760,242</b>	<b>525,392</b>	<b>35,940</b>	<b>127,894</b>	<b>25,938</b>	<b>21,198</b>	<b>26,632</b>	<b>2,523,236</b>
Reclassifications	0	(755)	11,520	0	(15,616)	0	4,096	(755)
Additions	35,288	11,636	11,042	9,414	893	36	12,475	80,784
Donations	0	0	0	0	0	0	0	0
Impairments	(811)	(5,353)	(3,966)	0	(223)	0	(31,125)	(41,478)
Revaluation increases recognised in the Revaluation Reserve	34,923	41,227	0	0	0	189	0	76,339
Revaluation (decreases) recognised in the Revaluation Reserve	(74,180)	(7,060)	0	0	(2,714)	0	0	(83,954)
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	171	570	0	0	0	0	0	741
Revaluation (decreases) recognised in the Surplus/Deficit on the Provision of Services	(343,708)	(7,368)	0	0	(344)	0	0	(351,420)
Derecognition - Disposals	(5,416)	(349)	0	0	0	(1,140)	0	(6,905)
Derecognition - Other	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0
<b>At 31 March 2011</b>	<b>1,406,509</b>	<b>557,940</b>	<b>54,536</b>	<b>137,308</b>	<b>7,934</b>	<b>20,283</b>	<b>12,078</b>	<b>2,196,588</b>

2010/11	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2010</b>	<b>(18,422)</b>	<b>(21,107)</b>	<b>(17,888)</b>	<b>(18,373)</b>	<b>(1,412)</b>	<b>(468)</b>	<b>0</b>	<b>(77,670)</b>
Reclassifications	0	7	(1,000)	0	1,137	0	(136)	7
Depreciation charge	(16,336)	(11,797)	(5,831)	(5,687)	(106)	(617)	0	<b>(40,374)</b>
Impairments	12	315	566	0	8	0	0	<b>900</b>
Depreciation written out to the Revaluation Reserve	10,126	2,496	0	0	0	20	0	<b>12,642</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	<b>0</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve	24,530	721	0	0	82	0	0	<b>25,333</b>
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	<b>0</b>
Derecognition - Disposals	65	17	0	0	0	0	0	<b>82</b>
Derecognition - Other	0	0	0	0	0	0	0	<b>0</b>
Eliminated on reclassification to Assets Held for Sale	0	0	0	0	0	0	0	<b>0</b>
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2011</b>	<b>(25)</b>	<b>(29,348)</b>	<b>(24,153)</b>	<b>(24,060)</b>	<b>(291)</b>	<b>(1,065)</b>	<b>(136)</b>	<b>(79,080)</b>
<b>Net Book Value</b>								
<b>At 31 March 2010</b>	<b>1,741,820</b>	<b>504,285</b>	<b>18,052</b>	<b>109,521</b>	<b>24,526</b>	<b>20,730</b>	<b>26,632</b>	<b>2,445,566</b>
<b>At 31 March 2011</b>	<b>1,406,484</b>	<b>528,592</b>	<b>30,383</b>	<b>113,248</b>	<b>7,643</b>	<b>19,218</b>	<b>11,942</b>	<b>2,117,508</b>
Owned	1,406,484	512,318	23,255	99,503	7,643	19,218	11,942	<b>2,080,339</b>
Finance Lease	0	0	7,128	0	0	0	0	<b>7,087</b>
Service Concession Arrangement	0	16,273	0	13,745	0	0	0	<b>30,082</b>
	<b>1,406,484</b>	<b>528,591</b>	<b>30,382</b>	<b>113,248</b>	<b>7,643</b>	<b>19,218</b>	<b>11,942</b>	<b>2,117,508</b>



2009/10	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<b>Cost or Valuation</b>								
<b>At 1 April 2009</b>	<b>1,653,600</b>	<b>475,981</b>	<b>24,717</b>	<b>114,651</b>	<b>23,173</b>	<b>7,604</b>	<b>73,674</b>	<b>2,373,400</b>
Reclassifications	107	38,960	3,005	0	0	15,673	(57,745)	0
Additions	58,014	29,192	8,376	13,243	2,765	0	11,234	122,824
Donations	0	0	0	0	0	0	0	0
Impairments	(3,262)	(4,381)	(158)	0	0	(705)	(531)	(9,037)
Revaluation increases recognised in the Revaluation Reserve	42,003	15,236	0	0	0	3,660	0	60,899
Revaluation decreases recognised in the Revaluation Reserve	(2,973)	(9,830)	0	0	0	(1,544)	0	(14,347)
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	47,708	579	0	0	0	94	0	48,381
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	(30,173)	(20,279)	0	0	0	(4)	0	(50,456)
Derecognition - Disposals	(4,782)	(66)	0	0	0	(3,580)	0	(8,428)
Derecognition - Other	0	0	0	0	0	0	0	0
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	0	0	0
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0
<b>At 31 March 2010</b>	<b>1,760,242</b>	<b>525,392</b>	<b>35,940</b>	<b>127,894</b>	<b>25,938</b>	<b>21,198</b>	<b>26,632</b>	<b>2,523,236</b>

2009/10	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2009</b>	<b>(18,523)</b>	<b>(15,401)</b>	<b>(16,017)</b>	<b>(15,516)</b>	<b>(1,020)</b>	<b>(153)</b>	<b>0</b>	<b>(66,630)</b>
Reclassifications	0	321	0	0	0	(321)	0	0
Depreciation charge	(18,858)	(9,423)	(2,001)	(2,857)	(392)	0	0	(33,531)
Impairments	49	215	122	0	0	0	0	386
Depreciation written out to the Revaluation Reserve	18,157	3,124	0	0	0	6	0	21,287
Depreciation written out to Surplus / Deficit on the Provision of Services	354	56	0	0	0	0	0	410
Impairment losses / (reversals) recognised in the Revaluation Reserve	346	0	8	0	0	0	0	354
Impairment losses / (reversals) recognised in Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition - Disposals	53	1	0	0	0	0	0	54
Derecognition - Other	0	0	0	0	0	0	0	0
Eliminated on reclassification to Assets Held for Sale	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0
<b>At 31 March 2010</b>	<b>(18,422)</b>	<b>(21,107)</b>	<b>(17,888)</b>	<b>(18,373)</b>	<b>(1,412)</b>	<b>(468)</b>	<b>0</b>	<b>(77,670)</b>
<b>Net Book Value</b>								
<b>At 31 March 2009</b>	<b>1,635,077</b>	<b>460,580</b>	<b>8,700</b>	<b>99,135</b>	<b>22,153</b>	<b>7,451</b>	<b>73,674</b>	<b>2,306,770</b>
<b>At 31 March 2010</b>	<b>1,741,820</b>	<b>504,285</b>	<b>18,052</b>	<b>109,521</b>	<b>24,526</b>	<b>20,730</b>	<b>26,632</b>	<b>2,445,566</b>
Owned	1,741,820	487,619	11,823	95,415	24,526	20,730	26,632	2,408,565
Finance Lease	0	0	4,728	0	0	0	0	4,728
Service Concession Arrangement	0	16,666	1,501	14,106	0	0	0	32,273
	<b>1,741,820</b>	<b>504,285</b>	<b>18,052</b>	<b>109,521</b>	<b>24,526</b>	<b>20,730</b>	<b>26,632</b>	<b>2,445,566</b>

## 1b. Investment Properties

Lambeth has no investment properties.

## 1c. Statement of Physical Assets

Statement of Physical Assets	31 March 2011	31 March 2010
<b>Operational Housing Stock</b>		
Council Dwellings	25,823	25,945
<b>Other Land &amp; Buildings</b>		
Advert Hoarding	1	1
Aerial Site	11	11
Car Park Spaces	2,252	2,256
Car Parks	12	9
Cemetaries and Crematoria	6	6
Commercial Properties	433	436
Community Centres	67	66
Day Centres	16	16
Depots	5	3
Educational Buildings	1	2
Foundation Schools	6	4
Garages	5,299	5,299
Gas Pressure Reduction Station	1	1
Go Kart Track	1	1
Historical Buildings	2	1
Hostels	40	32
Kitchens	1	1
Land	9	4
Libraries	9	9
Misc	0	1
Model Railway	1	1
Neighbourhood Management Offices	16	16
Nurseries	42	42
Offices	32	24
Pools	1	1
Primary Schools	36	38
Public Conveniences	19	19
Public Halls	4	4
Secondary Schools	7	7
Secondary Schools PFI	3	1
Skate Park	1	1
Special Schools	5	6
Sports Centres	7	7
Sports Pitches	6	4
Store Sheds	636	666
Sub Station	13	13

Statement of Physical Assets	31 March 2011	31 March 2010
Surgeries	9	9
Town Hall	1	1
Workroom	7	0
Youth Centres	16	13
<b>Vehicles, Plant &amp; Equipment</b>		
CCTV	2	2
Other Equipment	62	39
Park Equipment	43	12
Recycling Equipment	5	4
Highway Lighting PFI	1	1
Connected Learning PFI	1	1
Vehicle Fleet	2	2
<b>Community Assets</b>		
Adventure Playground	17	17
Artwork	1	1
Parks & Open Spaces	646 acres	646 acres
<b>Infrastructure</b>		
Roads	315.47 km	315.47 km
<b>Non-operational</b>		
Assets held for resale	83	104

## 1d. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include only purchased licenses. The value of the licences held by the Council is immaterial, and is written off on a straight-line basis over the estimated useful life of four years.

The movement on Intangible Asset balances during the year is as follows:

	2010/11			2009/10		
	Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at start of year:	0	5,539	5,539	0	6,908	6,908
· Gross carrying amounts	0	31,108	31,108	0	30,469	30,469
· Accumulated amortisation	0	(25,569)	(25,569)	0	(23,561)	(23,561)
Net carrying amount at start of year	0	5,539	5,539	0	6,908	6,908
Additions:						
· Purchases	0	283	283	0	908	908
· Amortisation for the period	0	(2,922)	(2,922)	0	(2,008)	(2,008)
· Reclassifications	0	0	0	0	0	0
· Other changes	0	0	0	0	(269)	(269)
Other changes	0	2,900	2,900	0	5,539	5,539
<b>Net carrying amount at end of year</b>	<b>0</b>	<b>2,900</b>	<b>2,900</b>	<b>0</b>	<b>5,539</b>	<b>5,539</b>
Comprising:						
· Gross carrying amounts	0	31,391	31,391	0	31,108	31,108
· Accumulated amortisation	0	(28,491)	(28,491)	0	(25,569)	(25,569)
	<b>0</b>	<b>2,900</b>	<b>2,900</b>	<b>0</b>	<b>5,539</b>	<b>5,539</b>

## 1e. Rolling Revaluation

Properties are included in the Balance Sheet as per the Statement of Asset Valuation Principles and Guidance notes issued by the Royal Institute of Chartered Surveyors (RICS) and the Stock Valuation for Resource Accounting issued by Communities and Local Government (CLG).

All the Council's property assets are valued on a five yearly cycle. Assets managed by each of the four holding departments are valued at least once within the five year period. The last valuation was carried out on the 1 April 2010 by Lambert Smith Hampton Chartered Surveyors.

This note shows the progress of the Council's rolling programme for the revaluation of non current assets. The valuations, including Council Dwelling Stock, are carried out by Lambert Smith Hampton who are surveyors external to the Council. The basis for valuation is set out in the statement of accounting policies.

For each class of fixed asset included in the Balance Sheet at current value the impact of the rolling programme of revaluation of non current assets is as follows:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Intangible Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Carried at historical cost</b>	<b>0</b>	<b>0</b>	<b>30,381</b>	<b>113,248</b>	<b>2,943</b>	<b>0</b>	<b>11,942</b>	<b>2,900</b>	<b>161,414</b>
<b>Carried at current value</b>									
As at 1st April 2010	1,405,470	118,790	0	0	2,571	0	0	0	<b>1,526,831</b>
As at 1st April 2009	905	99,734	0	0	0	19,222	0	0	<b>119,861</b>
As at 1st April 2008	107	310,071	0	0	2,128	0	0	0	<b>312,306</b>
As at 1st April 2007	0	0	0	0	0	0	0	0	<b>0</b>
As at 1st April 2006	0	0	0	0	0	0	0	0	<b>0</b>
<b>Total Cost or Valuation</b>	<b>1,406,482</b>	<b>528,595</b>	<b>30,381</b>	<b>113,248</b>	<b>7,642</b>	<b>19,222</b>	<b>11,942</b>	<b>2,900</b>	<b>2,120,412</b>

## 1f. Capital Expenditure and Capital Financing

	2010/11	2009/10
	£'000	£'000

### Capital investment

Intangible Assets	283	908
Tangible Assets	78,243	120,425
REFFCUS (Deferred Charges)	12,651	11,151
PFI assets on balance sheet	2,393	38,344
PFI Lifecycle costs	147	1,014
	<b>93,717</b>	<b>171,842</b>

### Sources of finance

Government grants	(33,376)	(53,817)
Capital receipts	(25,409)	(22,030)
Developers' contribution	(1,587)	(455)
Major Repairs Reserve (MRR)	(8,336)	(45,205)
Direct revenue financing	(784)	(587)
Direct revenue financing PFI	(147)	(1,014)
PFI & IFRIC 12 Credit Arrangements	(2,393)	(38,344)
Borrowing	(21,685)	(10,390)
	<b>(93,717)</b>	<b>(171,842)</b>

<b>Opening Capital Financing Requirement</b>	<b>714,041</b>	<b>693,800</b>
Capital Investment	93,717	171,842
Sources of Finance (excludes supported borrowing)	(69,638)	(123,108)
Minimum Revenue Provision (Non PFI)	(9,529)	(9,848)
Minimum Revenue Provision (PFI)	(3,000)	(9,630)
Adjustments	(57)	(260)
Overhanging debt repayment	0	(11,791)
Commutation adjustment	2,573	3,036
<b>Closing Capital Financing Requirement</b>	<b>728,107</b>	<b>714,041</b>

## 1g. Impairment Losses

During 2010/11, the Authority recognised an impairment loss of £3.8m in relation to Elmcourt School. The building at Elm Court Road was demolished to make way for the Elmgreen school which is the first parent promoted school in the country and the first local authority school to be built in Lambeth for over forty years.

The new school will provide 900 11 - 16 year old places (including a 30 place hearing impaired unit) and a 200 place sixth form. The school opened in 2007 and operated on an interim site until the move to the permanent site.

The new Elm Court School opened in Elm Park SW2 on the site of the old Strand Grammar school and is operating as special education needs fully extended service school, with capacity for 100 pupils at key stages 3 and 4.

As of the 1st February 2011 the Stockwell Park Secondary School was granted Academy Status. An Academy order was granted by the Secretary of State which permitted the school to transfer to Academy status.

As a result of the order land held by the authority was transferred to the Academy Trust by way of a xxx year lease. An impairment loss was charged to the Children's and Young Peoples line in the Comprehensive Income and Expenditure Statement to reflect this transfer

## 1h. Capital Commitments

	31 March 2011 £'000	31 March 2010 £'000
Housing, Regeneration and Environment	13,188	8,351
Adults' and Community Services	0	861
Children and Young People's Services	22,331	40,892
Finance Resources and Office of the Chief Executive	0	291
<b>Total</b>	<b>35,519</b>	<b>50,395</b>

## 2. Assets Held for Sale

	Current		Non-Current	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
<b>Balance outstanding at start of year</b>	<b>152</b>	<b>0</b>	<b>0</b>	<b>0</b>
Restated	0	1,895	0	0
<b>Restated balance outstanding at start of year</b>	<b>152</b>	<b>1,895</b>	<b>0</b>	<b>0</b>
Assets newly classified as held for sale:	749	0	0	0
· Property, Plant and Equipment	0	0	0	0
· Intangible Assets	0	0	0	0
· Other assets/liabilities in disposal groups	0	0	0	0
· Additions	0	0	0	0
Revaluation gains / (losses)	0	0	0	0
Impairment losses	0	0	0	0
Assets declassified as held for sale:				
· Property, Plant and Equipment	0	0	0	0
· Intangible Assets	0	0	0	0
· Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	(900)	(1,743)	0	0
Transfers from non current to current	0	0	0	0
Other movements	0	0	0	0
<b>Balance outstanding at year-end</b>	<b>0</b>	<b>152</b>	<b>0</b>	<b>0</b>

### **3. Inventories**

The Council holds no inventories as at 30 March 2011. Inventories held at 31 March 2009 and 2010 are immaterial.

### **4. Construction Contracts**

The Council holds no construction contracts.



## 5. Long-Term Debtors

Mortgage loans are loans given to individuals, including those exercising their right to buy their council house and to Housing Associations to help them purchase housing property. Loans outstanding were as follows:

	31 March 2011 £'000	31 March 2010 £'000
Mortgages		
Right to buy	113	171
Housing Associations	226	231
Long-term leases	443	447
	<b>783</b>	<b>848</b>

## 6. Financial Instruments

	Long-Term		Short-Term	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
Bank overdraft	0	0	(54,025)	(49,470)
Rents and service charges	0	0	(6,971)	(6,971)
Other payables	0	0	(96,251)	(95,431)
Borrowing – PWLB	(600,427)	(600,356)	(10,001)	(18,856)
Borrowing – IFRIC12	(25,101)	(26,096)	(3,389)	(3,004)
<b>Total Financial Liabilities at Amortised Cost</b>	<b>(625,528)</b>	<b>(626,452)</b>	<b>(170,637)</b>	<b>(173,732)</b>
Rents & Service charges	0	0	20,015	16,939
s20 works	0	0	2,861	7,903
Other receivables	0	0	26,986	34,562
Pension Fund	0	0	21,429	18,959
Long-term Debtors	782	848	0	0
Investments	17,705	1,005	93,836	67,033
<b>Total Loans and Receivables</b>	<b>18,487</b>	<b>1,853</b>	<b>165,127</b>	<b>145,396</b>

The balance on the current category of financial liabilities consists of certain elements only of creditors. The reason for exclusions is that many sections of creditors relate to statutory functions, not contractual arrangements as covered by the new Financial Reporting Standards.

Similarly, and for the same reason, the balance on current loans and receivables consists of short-term loans and certain elements of debtors. The short-term investments amount to £93.8m at 31 March 2011 and £67.0m at 31 March 2010.

Impairment (credit) losses on receivables are recorded in the table below.

Reconciliation of Allowance for Credit Account (Provision for doubtful debts)	S20 Lease-holders £'000	Rent Debtors £'000	Sundry Debtors £'000	RTB Service charges £'000	Parking Debtors £'000	Total £'000
Balance as at 31 March 2010	4,604	16,626	4,164	1,399	15,166	41,959
Write-offs	(3,358)	(4,703)	(878)	(1)	(12,473)	(21,413)
Set up	2,340	(590)	2,563	(1,398)	6,804	9,671
<b>Balance as at 31 March 2011</b>	<b>3,586</b>	<b>11,333</b>	<b>5,849</b>	<b>0</b>	<b>9,497</b>	<b>30,217</b>

In impairing the assets above the age of the debts has been taken into account. An ageing analysis is disclosed in note 7 to the Balance Sheet.

The Council has no financial assets of significance that are past due but not impaired and neither does it hold assets that have credit enhancements.

For further details of gross amounts held under debtors and creditors, and the corresponding provisions for bad debt, please refer to notes 7 and 9. These notes provide a more comprehensive picture as they include all debtor and creditor amounts irrespective of whether they are due to contractual or statutory activities.

## Income, Expense, Gains and Losses

Details of the Council's income and expenditure in relation to interest payable and receivable is included on the face of the Comprehensive Income and Expenditure Statement.

The Council has not incurred any revaluation gains in relation to Financial Instruments in 2010/11 and 2009/10.

## Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Liabilities arising from service concession arrangements and finance leases are calculated of the life of the arrangement or lease, using the implicit rate of interest in the lease. The liability is therefore assumed to approximate to fair value.
- Estimated ranges of interest rates at 31 March 2011 of 3.70% to 10.625% for loans from the PWLB, based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value. The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2011		31 March 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
<b>Financial liabilities – PWLB debt</b>	<b>(600,428)</b>	<b>849,733</b>	<b>(609,140)</b>	<b>752,947</b>

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates for similar loans at the Balance Sheet date. This commitment to pay interest above the market increases the amount the Authority would have to pay if the PWLB agreed to early repayment of the loans.

## Nature and Extent of Risks Arising from Financial Instruments

- The London Borough of Lambeth has adopted a strategic and balanced summary of the most significant risks and management arrangements in relation to financial instruments. This is consistent with the authority's treasury management strategy, treasury management practices and the prudential indicators for treasury management. The authority has adopted CIPFA's *Treasury Management in the Public Services: Code of Practice*. The authority has put in place formal and comprehensive objectives, policies and practises, strategies and reporting arrangements for the effective management and control of its treasury activities. The authority has ensures that the effective management and control of risk are the prime objectives of their treasury management activities and responsibility for these lies clearly within the organisation.

## Credit risk

- Deposits are made with banks and other financial institutions that have been rated by independent credit rating agencies with a minimum score of A-, with £20m of the total amount invested deposited in the highest rated category.

- Deposits can be made with other institutions that have not found it necessary to maintain a credit rating e.g. certain building societies and local authorities, and these are subject to an assessment of risk that is carried out internally. Deposits to these bodies are limited to a percentage of the asset value of the institution.
- No more than £20 million is held with any one institution, regardless of standing or duration, and a range of counterparties that operate in different sectors in the UK and European economies is used to spread risk, except for the Council main bank (NatWest).

There is a specific requirement to note any changes in the Council's exposure to risk and its approach to managing it compared to the prior year. This has been through periodic consultation and reporting to Corporate Committee.

Deposits with banks and financial institutions		2010/11	2009/10
		£'000	£'000
Investments with Banks		71,390	99,130
Investments with Building Societies		73,520	42,607

### Liquidity risk

As the Authority has ready access to borrowing from the PWLB, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Authority has been able to meet its day to day commitments as its fall due. The Authority has had no need to raise funding from PWLB in the last 5 years.

### Market risk

The Authority is not exposed to any significant risks in terms of interest rate movements on its borrowing and investments. There are spread of investments taking into account of current forecast from different sources of the trend and future interest rates risks.

Borrowings are with Public Works Loan Board, they are all fixed loans.

### 7a. Short –Term Debtors (IFRS classification)

	31 March 2011	31 March 2010
	£'000	£'000
Central government bodies	6,360	7,190
Other local authorities	4,496	4,566
Public corporations and trading funds	8,666	7,950
National Health Service bodies	4,804	6,871
Other entities and individuals	69,312	81,616
<b>Total</b>	<b>93,638</b>	<b>108,193</b>

## 7b. Short –Term Debtors by type

	31 March 2011		31 March 2010	
	£'000	£'000	£'000	£'000
Government grants		5,513		2,914
Rents (HRA and non-HRA)	27,826		30,861	
Provision for bad debts	(11,333)		(16,626)	
		16,493		14,235
Right to buy service charges	3,522		4,102	
Provision for bad debts	0		(1,399)	
		3,522		2,703
Housing Benefit Overpayment	16,222		16,776	
Provision for bad debts	(10,517)		(10,998)	
		5,705		5,778
Council Taxpayers	30,264		32,591	
Provision for bad debts	(24,694)		(28,047)	
		5,570		4,544
Council Tax Court Costs	7,282		7,638	
Provision for bad debts	(5,910)		(6,291)	
		1,372		1,347
Sundry debtors	27,310		28,355	
Provision for bad debts	(12,337)		(4,164)	
		14,973		24,191
Section 20 works	6,448		12,507	
Provision for bad debts	(3,587)		(4,604)	
		2,861		7,903
Parking debtors	12,465		17,833	
Provision for bad debts	(9,497)		(15,166)	
		2,968		2,667
Bankruptcy	537		0	
Provision for bad debts	(436)		0	
		101		0
HMRC		8,118		7,265
Central Government Debtor (NNDR)		1,217		4,191
Payments in advance		2,604		6,707
Amounts due from Lambeth Living		291		3,261
Community Charge		2		
Other		899		1,529
Pension Fund		21,429		18,959
TOTAL		<u>93,638</u>		<u>108,194</u>

## 7c.

Reconciliation of provision for Bad Debt Account	2010/11	2009/10
	£'000	£'000
Balance brought forward as at 1 April	(87,295)	(107,550)
Write-offs	21,413	18,155
(Set up) / Release	(12,429)	2,100
<b>Balance as at 31 March</b>	<b>(78,311)</b>	<b>(87,295)</b>

## 7d.

Aged Analysis of Financial Assets (excl Investments)	Rents £'000	S20 lease-holders £'000	Sundry debt £'000	RTB Service charges £'000	Pension fund £'000	Total £'000
Less than 1 year	12,690	584	19,503	949	21,429	55,154
Over 1 year	15,136	5,864	7,807	2,573	0	31,380
<b>Total as at 31 March 2011</b>	<b>27,826</b>	<b>6,448</b>	<b>27,310</b>	<b>3,522</b>	<b>21,429</b>	<b>86,534</b>

Aged Analysis of Financial Assets (excl Investments)	Rents £'000	S20 lease-holders £'000	Sundry debt £'000	RTB service charges £'000	Pension fund £'000	Total £'000
Less than 1 year	13,625	4,026	16,911	1,303	18,959	54,824
Over 1 year	17,236	8,481	11,444	2,799	0	39,960
<b>Total as at 31 March 2010</b>	<b>30,861</b>	<b>12,507</b>	<b>28,355</b>	<b>4,102</b>	<b>18,959</b>	<b>94,784</b>

## 8. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2011 £'000	31 March 2010 £'000
Cash held by the Authority	32	37
Bank current accounts	(1,626)	2,443
Short-term deposits with building societies	36,410	66,738
<b>Total Cash and Cash Equivalents</b>	<b>34,816</b>	<b>69,218</b>

## 9a. Short-Term Creditors – (IFRS classification)

	31 March 2011 £'000	31 March 2010 £'000
Central government bodies	(15,459)	(9,789)
Other local authorities	(7,198)	(8,567)
National Health Service bodies	(12,671)	(6,104)
Public corporations and trading funds	(1,130)	(2,267)
Other entities and individuals	(79,162)	(104,595)
<b>Total</b>	<b>(115,620)</b>	<b>(131,322)</b>

## 9b. Short-Term Creditors – by type

	31 March 2011 £'000	31 March 2010 £'000
Government grants	(14,124)	(9,677)
Rents	(5,631)	(5,892)
Right to buy service charges	(2,005)	(1,079)
Central Government Creditor (NNDR)	0	0
Amount owed by LBL to preceptor (GLA)	(3,886)	(1,847)
Council Taxpayers	(6,132)	(8,645)
Sundry creditors	(70,026)	(90,674)
Pooled capital receipts due to CLG	(372)	(290)
PAYE/NI	(6,384)	(5,998)
Receipts in advance	(4,525)	(5,577)
Other	(2,371)	(1,363)
	(115,456)	(131,042)
Trust Funds	(164)	(280)
	<u>(115,620)</u>	<u>(131,322)</u>

## 9c. Capital Grants Receipts in Advance

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	31 March 2011 £'000
Clapham Park – New Deal for Communities	97
Transport for London	2,542
s106 developers' contributions	15,912
European Social Fund	805
Other Grant	1,074
<b>Total</b>	<u><u>20,429</u></u>

## 10. Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families – the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget has two components – one for a restricted range of services provided on an authority-wide basis and the other for the Individual Schools Budget, which is divided into a budget share for each school. The Council is required to account separately for overspends and underspends on the two components. Details of the deployment of DSG receivable for 2010/11 are as follows:

	Central Expenditure £'000	Individual Schools' Budget £'000	Total £'000
Underspend brought forward from 2009/10	(1,158)	0	(1,158)
Original grant allocation to Schools Budget for current year in the authority's budget	(27,592)	(155,540)	(183,132)
DSG available for the year	(28,750)	(155,540)	(184,290)
Actual expenditure for the year	28,291	155,429	183,720
Over/(under)spend for the year	(459)	(111)	(570)
Use of school balances brought forward	0	0	0
<b>Underspend carried forward to 2011/12</b>	<b>(459)</b>	<b>(111)</b>	<b>(570)</b>

### 11a. Leases

#### Authority as Lessee

##### *Finance Leases*

The Council has acquired one of its administrative buildings under a finance lease. The value of the building had previously been carried as Property Plant and Equipment in the Councils balance sheet. The lease term for this property is 120 years and the Council has also brought the land on to the balance sheet

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	2010/2011 £'000	2009/10 £'000
Other Land and Buildings	392	392
Vehicles, Plant, Furniture and Equipment	0	0
	<b>392</b>	<b>392</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2010/2011 £'000	2009/10 £'000
Finance lease liabilities (net present value of minimum lease payments):		
• current	0	0
• non current	385	385
Finance costs payable in future years	1,195	1,214
<b>Minimum lease payments</b>	<b>1,580</b>	<b>1,599</b>

The minimum lease payments will be made over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
Not later than one year	0	0	20	20
Later than one year and not later than five years	2	2	78	78
Later than five years	383	384	1,097	1,116
	<b>385</b>	<b>386</b>	<b>1,195</b>	<b>1,214</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £118k contingent rents were payable by the Authority (2009/10 £118k).

#### *Operating Leases*

The Council has acquired its fleet of refuse collection vehicles by entering into operating leases, with typical lives of seven years.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2011 £'000	31 March 2010 £'000
Not later than one year	2,734	2,795
Later than one year and not later than five years	10,281	9,970
Later than five years	24,979	21,133
	<b>37,994</b>	<b>33,898</b>



## Authority as Lessor

### Finance Leases

The Council has leased out properties within the borough on a finance lease. (Brixton Enterprise Centre; Gothic Lodge; Hurley Clinic and The Cut) The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2011	31 March 2010
	£'000	£'000
Finance lease debtor (net present value of minimum lease payments):		
• current	33	33
• non current	2,475	2,508
Unearned finance income	0	0
Unguaranteed residual value of property	0	0
Gross investment in the lease	2,508	2,541

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	£'000	£'000	£'000	£'000
Not later than one year	33	33	33	33
Later than one year and not later than five years	131	131	131	131
Later than five years	2,343	2,376	2,343	2,376
	2,507	2,540	2,507	2,540

### Operating Leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2011	31 March 2010
	£'000	£'000
Not later than one year	4,324	4,095
Later than one year and not later than five years	0	0
Later than five years	0	0
	4,324	4,095

# 11b. IFRIC 12 – Service Concession Arrangements (including PFI / PPP contracts)

- (i) See Balance Sheet note 1a for the value of assets held under PFI and similar contracts at each balance sheet date, and an analysis of the movement in those values
- (ii) The value of outstanding liabilities resulting from PFI, finance leases and similar contracts at each Balance Sheet date and an analysis of the movement in those values

	Lilian Baylis £'000	Lambeth Lighting £'000	Connected Learning £'000	Home to School £'000	Waste Management £'000	Total £'000	Finance Lease £'000	Total £'000
<b>Opening Balance at 1 April 2009</b>	<b>(12,153)</b>	<b>(12,252)</b>	<b>(1,711)</b>	<b>(1,547)</b>	<b>(1,847)</b>	<b>(29,510)</b>	<b>(386)</b>	<b>(29,896)</b>
Liability in year	0	(850)	(1,044)	0	(353)	(2,247)	0	(2,247)
Payments in year	277	756	347	324	1,338	3,042	0	3,042
<b>Closing Liability at 31 March 2010</b>	<b>(11,876)</b>	<b>(12,346)</b>	<b>(2,408)</b>	<b>(1,223)</b>	<b>(862)</b>	<b>(28,715)</b>	<b>(386)</b>	<b>(29,101)</b>
<b>Opening Balance at 1 April 2010</b>	<b>(11,876)</b>	<b>(12,346)</b>	<b>(2,408)</b>	<b>(1,223)</b>	<b>(862)</b>	<b>(28,715)</b>	<b>(386)</b>	<b>(29,101)</b>
Liability in year	0	0	0	0	(2,393)	(2,393)	0	(2,393)
Payments in year	284	608	602	430	1,080	3,004	0	3,004
<b>Closing Liability at 31 March 2011</b>	<b>(11,592)</b>	<b>(11,738)</b>	<b>(1,806)</b>	<b>(793)</b>	<b>(2,175)</b>	<b>(28,104)</b>	<b>(386)</b>	<b>(28,490)</b>

- (iii) Details of payments due to be made under PFI, finance leases and similar contracts (separated into repayments of liability, interest and service charges).

The disclosure requirements for PFI schemes are open to interpretation. The Council has therefore included the elements as follows:

- Operating Cost and Life Cycle Costs are mapped to Services.
- Finance costs (including lease interest & Finance Cost Contingent Rental) are mapped to Interest
- Long-term liabilities (lease creditor repayment) are mapped to Liability

	Lilian Baylis				Lambeth Lighting				Connected Learning			
	2010/11	2010/11	2010/11	Total	2010/11	2010/11	2010/11	Total	2010/11	2010/11	2010/11	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Liability	Interest	Service		Liability	Interest	Service		Liability	Interest	Service	
Within 1 year	282	1,451	836	<b>2,569</b>	571	972	1086	<b>2,629</b>	727	379	1,156	<b>2,262</b>
Within 2-5 years	1,061	5,887	3,985	<b>10,933</b>	2,367	3,463	4,693	<b>10,523</b>	1,110	271	1,687	<b>3,068</b>
Within 6-10 years	2,298	7,684	5,294	<b>15,276</b>	3,068	3,310	6,796	<b>13,174</b>	0	0	0	<b>0</b>
Within 11-15 years	3,349	7,350	6,584	<b>17,283</b>	3,174	2,074	7,951	<b>13,199</b>	0	0	0	<b>0</b>
Within 16-20 years	4,602	5,682	5,164	<b>15,448</b>	2,559	642	9,151	<b>12,352</b>	0	0	0	<b>0</b>
Within 21-25 years	0	0	0	<b>0</b>	0	0	0	<b>0</b>	0	0	0	<b>0</b>
<b>Total</b>	<b>11,592</b>	<b>28,054</b>	<b>21,863</b>	<b>61,509</b>	<b>11,739</b>	<b>10,461</b>	<b>29,677</b>	<b>51,877</b>	<b>1,837</b>	<b>650</b>	<b>2,843</b>	<b>5,330</b>

	Home to School				Waste Management				Finance Lease			
	2010/11	2010/11	2010/11	Total	2010/11	2010/11	2010/11	Total	2010/11	2010/11	2010/11	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Liability	Interest	Service		Liability	Interest	Service		Liability	Interest	Service	
Within 1 year	569	267	1,732	<b>2,568</b>	1348	834	15,946	<b>18,128</b>	0	138	0	<b>138</b>
Within 2-5 years	223	63	592	<b>878</b>	828	1814	33,098	<b>35,740</b>	2	826	0	<b>828</b>
Within 6-10 years	0	0	0	<b>0</b>	0	0	0	<b>0</b>	3	1377	0	<b>1,380</b>
Within 11-15 years	0	0	0	<b>0</b>	0	0	0	<b>0</b>	3	1377	0	<b>1,380</b>
Within 16-20 years	0	0	0	<b>0</b>	0	0	0	<b>0</b>	4	1376	0	<b>1,380</b>
Within 21-25 years	0	0	0	<b>0</b>	0	0	0	<b>0</b>	373	16187	0	<b>16,560</b>
<b>Total</b>	<b>792</b>	<b>330</b>	<b>2,324</b>	<b>3,446</b>	<b>2,176</b>	<b>2,648</b>	<b>49,044</b>	<b>53,868</b>	<b>385</b>	<b>21,281</b>	<b>0</b>	<b>21,666</b>

## 12. Provisions

Description	Balance at 31 March 2010 £'000	Additional provision £'000	Utilised £'000	Released £'000	Balance at 31 March 2011 £'000
Continuing Care	(582)	0	0	232	(350)
Contract disputes	(1,375)	(227)	500	216	(886)
Dilapidations	(200)	0	0	0	(200)
IAS19 Accumulated absences Provision GF	0	(4,400)	0	0	(4,400)
IAS19 Accumulated absences Provision HRA	0	(6)	0	0	(6)
Insurance Fund GF	(7,016)	0	1,798	1,478	(3,740)
Insurance Fund HRA	(3,266)	0	700	806	(1,760)
Planning appeals	(607)	0	263	195	(150)
Single status	(390)	0	0	0	(390)
Tenant management organisations	(845)	0	767	79	0
<b>Totals</b>	<b>(14,281)</b>	<b>(4,633)</b>	<b>4,028</b>	<b>3,006</b>	<b>(11,882)</b>

Economic benefit is expected to transfer during the 2011/12 financial year although the exact timing of the transfer cannot be anticipated.

The purpose of each provision is set out below:

- The Continuing Care provision covers two related issues: the need to reimburse clients who may have been charged incorrectly since new legislation came into effect on 1 October 2007; and potential liability for claims arising before that date relating to the failure to make appropriate assessments of care needs (case law [Grogan] which has since been subsumed within the new legislation). No claims were made against the Council in 2010/11 in respect of this provision. As a result, there has been a reduction in the perceived risk of claims and the provision has been reduced accordingly.
- Contract disputes – An assessment of the potential liability has been made in each of the cases brought forward from 2009/10 – one has been settled and the balance held in provision released; one has been increased to allow for the potential requirement to pay interest on the amount in dispute; and one has been reduced by an individually immaterial amount to reflect a reassessment of likely costs.
- Dilapidations – for likely charges in respect of the termination clauses on a specific property leased by the Council.
- The IAS 19 Accumulated Absences provisions are statutory provisions and reflect a requirement under the interpretation of "IAS 19 Employee benefits" as it applies to local government, to provide each year for the likely charge to the accounts of the accrual for time off or wages owed to staff due to timing differences. This is the first year that these provisions have featured in the accounts. Further information on the implications of IAS 19 can be found in the specific note and the accounting policy on that issue.
- The Insurance Fund provision holds the balance set aside for potential liabilities in respect of insurable items for which the Council has elected to self-insure and for payments that fall within the insurance excesses. The actuarial review of insurance provisions is carried out annually using an actuarial forecasting approach which is designed to review the appropriateness of the provisions and reserves for the Council's self-insured claims as at the date of the valuation. This valuation takes into account all known and outstanding (unpaid) claims received from 1998 to date, and also makes a calculation for any incurred but not reported claims (IBNR) and contingent liability in respect of MMI clawback.

In 2010/11, the Council appointed new actuaries to undertake the annual assessment of its Insurance Fund liability. The new actuary took a markedly different approach to that of the previous incumbent which affected the calculation of the appropriate level of provision, resulting in the movement shown in the table above.

Liability claims in particular are of a 'long tail' nature and may not be received by the Council until several years after the incident date. Once claims are received it may take many more years from the date of receipt for them to be settled, and payments on some of the larger claims often span a number of different financial years.

To limit its exposure on self-insured risks in any set period, the Council has in place policy deductibles and 'stop loss' limits on its insurance policies. For property insurance the current protection limits are £500k on each individual claim (the Council only pays the first £500k on any claim regardless of its value) with a stop loss of £1.5m in any 12-month period across all property claims, meaning that the maximum exposure to the Insurance Fund in respect of property losses will never be more than £1.5m within a 12-month period. For liability claims, the Council pays only the first £150k of each claim with a stop loss of £6m for all liability claims within a policy year period. However, as previously noted, liability claims are of a 'long tail' nature and payments made are therefore spread over many years. There is also a combined aggregate stop loss across both liability and property of £6.7m for any policy year period.

Over the past 10 years, the average payments made from the Insurance Fund have been £2.5m per annum, with the maximum paid from the Fund in any one financial year being £4.1m over this period. Annual General Fund and HRA contributions into the Insurance Fund are also made which have the effect of maintaining the Fund at a reasonable level and avoiding depletion of the Fund over a period of time.

For 2010/11 provision has been made for the assessment in respect of public and employer liability following careful scrutiny by officers of the recommended level of provision in the actuarial assessment.

- Planning appeals – likely legal costs where planning decisions are reversed on appeal for a specific case. Some payments were made in 2010/11 without prejudice to future discussions. The total impact if the case were to go against the Council has been reassessed and the residual level of the provision adjusted accordingly.
- The Single Status provision was redesignated from a reserve in 2009/10 due to greater certainty over the likelihood and timing of payment. Following an assessment of this potential risk the Council needs to set aside resources against the potential costs of the pay and grading review. The current balance represents the latest assessment of possible costs.
- Tenant Management Organisations – These disputes were settled during 2010/11 and the balance on the provision released.

Under IAS we are required to analyse provisions on the basis of the profile of their use, based on our best estimates where the information is not known and analysing the total amount of the provision into three categories;

- use within one year of balance sheet date
- use more than one year, but less than five years, of the balance sheet date
- use more than five years after the balance sheet date

The following tables contain this information for the year 2010/11, with our equivalent assessment at the balance sheet date for the 2009/10 and 2008/09 accounts (though, at the time, we were not required to publish such an assessment in the accounts.)

2010/11 Description	Less than one year £'000	Between one year and five years £'000	Greater than five years £'000	Balance at 31 March 2011 £'000
Continuing Care	350	0	0	(350)
Contract disputes	0	886	0	(886)
Dilapidations	200	0	0	(200)
IAS19 STACAA Provision GF	4,400	0	0	(4,400)
IAS19 STACAA Provision HRA	6	0	0	(6)
Insurance Fund GF	935	1,870	935	(3,740)
Insurance Fund HRA	440	880	440	(1,760)
Planning appeals	150	0	0	(150)
Section 117	0	0	0	0
Single status	390	0	0	(390)
Tenant management organisations	0	0	0	0
<b>Totals</b>	<b>6,871</b>	<b>3,636</b>	<b>1,375</b>	<b>(11,882)</b>

### 13. Contingent Liabilities

A contingent liability is defined as: -

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control, or

(b) a present obligation that arises from past events but is not recognised because:

- (i) it is not probable that a transfer of economic benefits will be required to settle the obligation, or
- (ii) the amount of the obligation cannot be measured with sufficient reliability.

The following items have been identified as contingent liabilities:-

- An employment tribunal claim at one of LBL's schools may or may not find against the borough. This has been allowed for in the aforementioned "Henry Fawcett Primary School" reserve.
- Angell Town Tenant Management Organisation (TMO) is claiming that, owing to out-of-date records held by the Council, it paid Council Tax to the council for several consecutive years on housing blocks that no longer existed. The TMO now contests that it therefore overpaid on these blocks and has sent the council a breach notice and has threatened legal action.

While there is no guarantee that this will ever come to court or even that the Council has been guilty of overcharging, this is being included in the accounts as a contingent liability until the matter can be satisfactorily resolved.

- The Council, as part of a consortium, received a grant of approximately £1.0m from the European Commission to develop a Combined Heating and Power system (CHP) for its housing stock. The project has not gone according to plan, to the extent that the CHP is now so bespoke that it is questionable whether it can be commissioned at a reasonable cost. In the event that a decision were made not to

At the same time, another member of the consortium claims that Lambeth is liable to it for invoices totalling £0.1m incurred in the development and prototyping of the CHP. The Council, for its part, claims that the officer who signed this contract had no express authority to do so and there are issues as to whether or not the contactor is in default of this contract.

The Council is currently considering its options, both with regards to its strategy around the CHP and its strategy around the contested invoices. In the mean time, as neither the certainty, amount nor timing of any potential payment can be established with any degree of accuracy, the case is shown here as a contingent liability.

- A case which went before the Court of Appeal, "Applicant v LBL" may have significant knock-on implications for the borough. It revolves around whether the Council failed to apply correctly section 20 of the Children Act 1989 in failing to accommodate the applicant as a homeless child in need, instead housing the applicant according to the criteria used under the homelessness legislation in the Housing Act 1996.

Lambeth CYPS accepted that, had the applicant come to their attention, he would have been a "relevant child" and therefore fallen under the provisions of the Children Act 1989; but contends that the applicant never came to their attention and should not be deemed to have done so.

Lambeth succeeded at first instance but the applicant obtained legal aid to appeal. and the decision came before the Court of Appeal on 12 January 2011. Shelter, the national housing charity sought leave to intervene and made submissions to the Court with regard to the (lack of) progress made by local authorities since the case of G v Southwark when the House of Lords recommended that, in accordance with central government guidance published in April 2010, all local authorities produce a joint Housing/CYPS Protocol on how 16 and 17 year olds should be dealt with when they present to either service seeking housing/assistance.

Shelter made a Freedom of Information request to all local authorities in England and Wales and noted that only a few had completed a protocol, and of the eight that were supplied to them some were inadequate. Within the appeal the Court noted that Lambeth had yet to produce a protocol – although Lambeth's draft, but as yet unapproved, protocol was produced and the Court was advised of this.

The appeal was successful. Though the Court decided he should not receive damages it ordered the Council to pay the costs of the Court below and 80% of the costs in the Court of Appeal. However, there is concern that there remain a significant number of young people in similar circumstances, in accordance with the policy at that time, who were not considered by CYPS to be owed any leaving care services. Any future adverse judgment could therefore have significant cost and resource implications for the Council.

- As a result of the implementation of, and subsequent changes to, national legislation, there is a possibility that the Council, along with all other councils in the country, will have to repay some of the fee income over recent years charged for searches relating to property sales. The likelihood of this is unknown since, to date, there have been no successful litigants in the country and there is a principle of law, "unjust enrichment", which is expected to act as a significant barrier to successful actions (or, at least, as a strong mitigating factor in terms of the level of recovery).

Since January 1 2005, £0.3m income has been received that relates to "personal searches" and "register searches", which are currently considered to be the two most immediate elements of income that could face legal challenge. However, awaiting Counsel's opinion, as commissioned by the LGA on behalf of member authorities, there is a further wider element of income, possibly up to £5.4m since January 1 2005 (of which only a proportion would apply) that could feasibly be the subject of legal proceedings, notwithstanding the need to overcome the same legal principle of "unjust enrichment". Since the advice is not yet issued, and the legal proceedings issued thus far are at a very early stage, it is not possible to assess how large that proportion would be.

It is also the case that potential litigation would be very complex, since it could be multi-party (including four government departments as defendants as well as potentially hundreds of local authorities), and is therefore almost certain to take a long time to conclude.

Accordingly, this matter has been recorded as a contingent liability.

## 14. Contingent Assets

These are assets in which the possibility of an economic benefit to the Council depends solely upon future events that cannot be controlled by the Council. They are often rights to a future potential claim, based on past events. Due to the uncertainty of the future events, and on the basis of the principle of prudence in recognising assets, these potential assets are not included in the Balance Sheet but are disclosed as notes to the accounts.

During 2008/09, the Council submitted VAT refund claims to HM Revenue & Customs (HMRC) based on the House of Lords decision in the joint cases of *Michael Fleming v HMRC and Conde Nast Publications Ltd v HMRC*. These claims are commonly referred to as "Fleming claims" and relate to the erroneous introduction by HMRC of the three-year capping rule in 1996 and 1997. The decision has provided an opportunity for VAT registered bodies to make claims for a refund of VAT that was either "overpaid to" or "under recovered from" HMRC.

A total gross sum of £2.35m (including statutory interest) has so far been received from HMRC relating to these claims. Claims totalling £0.664m remain unsettled as at 31 March 2011 (negotiations with HMRC on the outstanding claims are still in progress) and are hereby disclosed as a remaining contingent asset.

## 15. Pensions Schemes Accounted for as Defined Contribution Scheme

LB Lambeth does not participate in any scheme accounted for as a Defined Contribution Scheme, except for the Teachers' Pension Scheme, which is discussed in more detail under "Defined Benefit Pension Schemes" (see below.).

## 16. Defined Benefit Pension Schemes

### Participation in pension schemes

As part of the terms and conditions of employment of its officers, the authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the authority's commitment to make the payments needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Lambeth Pension Fund – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Non-teaching staff employed in schools, along with some other Council staff, belong to a local government pension scheme run by the London Pensions Fund Authority (LPFA).

Teachers employed by the authority are members of the Teachers' Pension Scheme, administered by the Department for Children, Schools and Families. It provides teachers with defined benefits upon their retirement and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2010/11 the council paid £10.87m to the TPA (10.48m in 2009/10), representing 14.1% of pensionable pay (14.1% in 2009/10). Of the total paid in 2010/11 £0.04m related to added years payments. Although the Teachers' Pension Scheme is a defined benefit scheme, due to it being impossible to identify the Council's share of the underlying liabilities in the scheme attributable to its own employees, it is accounted for on the same basis as a defined contribution scheme.

The movement in balances on the Pensions Reserve for both the Lambeth Pension Fund and Lambeth's share of the LPFA during the year are:

	LPFA £'000		Lambeth £'000		Total £'000	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
<b>Deficit at Beginning of Year</b>	<b>30,922</b>	11,525	<b>714,971</b>	400,327	<b>745,893</b>	411,852
Net movement on Prior-Year figures due to changes in valuation basis	0	0	0	0	0	0
Actuarial (Gains)/Losses	(21,407)	18,335	(108,233)	310,192	(129,640)	328,527
Other Movements	(5,066)	1,062	(134,423)	4,452	(139,489)	5,514
<b>Deficit at End of Year</b>	<b>4,449</b>	30,922	<b>472,315</b>	714,971	<b>476,764</b>	745,893



## Transactions relating to post employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

	LPFA		Lambeth		Total	
	£'000		£'000		£'000	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
<b>Comprehensive Income and Expenditure Statement</b>						
Cost of Services:						
• current service cost	453	306	24,459	12,320	24,912	12,626
• past service costs/(gains)	(5,280)		(142,941)	246	(148,221)	246
• settlements and curtailments	0	5	730	671	730	676
Financing and Investment Income and Expenditure						
• interest cost	3,375	3,493	73,358	62,864	76,733	66,357
• expected return on scheme assets	(2,645)	(1,692)	(52,156)	(34,991)	(54,801)	(36,683)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(4,097)</b>	<b>2,112</b>	<b>(96,550)</b>	<b>41,110</b>	<b>(100,647)</b>	<b>43,222</b>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Actuarial (gains) and losses	(21,407)	18,335	(108,233)	310,191	(129,640)	328,526
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	<b>(25,504)</b>	<b>20,447</b>	<b>(204,783)</b>	<b>351,301</b>	<b>(230,287)</b>	<b>371,748</b>

## Movement in Reserves Statement

Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	4,097	(2,112)	(96,850)	(41,110)	(92,753)	(43,222)
Actual amount charged against the General Fund Balance for pensions in the year:						
• employers' contributions payable to scheme	702	770	30,272	29,169	30,974	29,939
• retirement benefits payable to pensioners	267	280	7,599	7,489	7,866	7,769

## Assets and liabilities in relation to post employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	LPFA		Lambeth		Total	
	£'000		£'000		£'000	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
Opening balance at 1 April	(74,269)	(51,729)	(1,451,777)	(922,182)	(1,526,046)	(973,911)
Current service cost	(453)	(306)	(24,459)	(12,320)	(24,912)	(12,626)
Interest cost	(3,375)	(3,493)	(73,358)	(62,864)	(76,733)	(66,357)
Contributions by scheme participants	(110)	(142)	(8,156)	(7,907)	(8,266)	(8,049)
Actuarial gains and losses	11,786	(21,279)	164,609	(489,333)	176,395	(510,612)
Benefits paid	2,872	2,685	49,367	43,746	52,239	46,431
Past service (costs)/gains	5,280	0	142,941	(246)	148,221	(246)
Entity combinations	0	0	0	0	0	0
Curtailments	0	(5)	(730)	(671)	(730)	(676)
Settlements	0	0	0	0	0	0
<b>Closing balance at 31 March</b>	<b>(58,269)</b>	<b>(74,269)</b>	<b>(1,201,561)</b>	<b>(1,451,777)</b>	<b>(1,259,832)</b>	<b>(1,526,046)</b>

Reconciliation of fair value of the scheme (plan) assets:

	LPFA £'000		Lambeth £'000		Total £'000	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
Opening balance at 1 April	43,347	40,204	736,807	521,854	780,154	562,058
Expected rate of return	2,645	1,692	52,156	34,991	54,801	36,683
Actuarial gains and losses	9,621	2,944	(56,377)	179,143	(46,756)	182,087
Employer contributions	969	1,050	37,871	36,658	38,840	37,708
Contributions by scheme participants	110	142	8,156	7,907	8,266	8,049
Benefits paid	(2,872)	(2,685)	(49,367)	(43,746)	(52,239)	(46,431)
Entity combinations	0	0	0	0	0	0
Settlements	0	0	0	0	0	0
<b>Closing balance at 31 March</b>	<b>53,820</b>	<b>43,347</b>	<b>729,246</b>	<b>736,807</b>	<b>783,066</b>	<b>780,154</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return in the year on LPFA assets was £3.095m (2009/10: £4.637m), and on Lambeth Pension Fund assets was £10.138m (2009/10: £214.132m).

## Scheme history

	2010/11	2009/10	2008/09	2007/08	2006/07
	£'000	£'000	£'000	£'000	£'000
<b>Present value of liabilities:</b>					
LPFA	(58,269)	(74,269)	(51,729)	(53,959)	(59,069)
Lambeth	(1,201,561)	(1,451,777)	(922,182)	(975,829)	(1,067,000)
<b>Total</b>	<b>(1,259,830)</b>	<b>(1,526,046)</b>	<b>(973,911)</b>	<b>(1,029,788)</b>	<b>(1,126,069)</b>
<b>Fair value of assets</b>					
LPFA	53,820	43,347	40,204	45,821	42,271
Lambeth	729,246	736,807	521,856	691,862	712,719
<b>Total</b>	<b>783,066</b>	<b>780,154</b>	<b>562,060</b>	<b>737,683</b>	<b>754,990</b>
<b>Surplus/(deficit) in the scheme:</b>					
LPFA	(4,449)	(30,922)	(11,525)	(8,138)	(16,799)
Lambeth	(472,315)	(714,970)	(400,326)	(283,967)	(354,282)
<b>Total</b>	<b>(476,764)</b>	<b>(745,892)</b>	<b>(411,851)</b>	<b>(292,105)</b>	<b>(371,081)</b>

The liabilities show the underlying commitments to pay post employment (retirement) benefits that the authority has in the long run. The total liability of £1.260m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £0.476m. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- the deficit on the schemes will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the LPFA by the council in the year to 31 March 2012 is £0.553m. Expected contributions for the Lambeth scheme in the year to 31 March 2012 are £34.279m.

## Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels and so forth. London Borough of Lambeth liabilities have been assessed by Hyman Robertson LLP, an independent firm of actuaries, and LPFA liabilities by Barnett Waddingham Public Sector Consulting, estimates for the LPFA Fund being based on the latest full valuation of the scheme as at 1 April 2010.

The principal assumptions used by the actuaries have been:

	LPFA		Lambeth	
	2010/11	2009/10	2010/11	2009/10
<b>Long-term expected rate of return on assets in the scheme:</b>				
Cashflow Matching	4.4%	4.5%	0	0
Equity investments	7.2%	7.3%	7.5%	7.8%
Target Return Portfolio	5.0%	5.0%	0	0
Bonds	0	0	4.9%	5.0%
Property	0	0	5.5%	5.8%
Cash	3.0%	3.0%	4.6%	4.8%
<b>Mortality assumptions:</b>				
Longevity at 65 for current pensioners:				
• Men	20.0 years	21.0 years	20.1 years	20.8 years
• Women	22.9 years	23.4 years	22.9 years	24.1 years
Longevity at 65 for future pensioners:				
• Men	22.0 years	22.0 years	22.0 years	22.3 years
• Women	24.9 years	24.2 years	24.8 years	25.7 years
Rate of inflation	3.5%	3.9%	2.8%	3.8%
Rate of increase in salaries	4.5%	5.4%	5.3%	5.3%
Rate of increase in pensions(CPI)	2.7%	3.9%	2.8%	3.8%
Rate for discounting scheme liabilities	5.5%	5.5%	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	25% (pre-April 2008 service) 63% (post-April 2008 service)	25% (pre-April 2008 service) 63% (post-April 2008 service)

The Pension Schemes' assets consist of the following categories, by proportion of the total assets held:

	LPFA		Lambeth	
	31 March 2011 %	31 March 2010 %	31 March 2011 %	31 March 2010 %
Cashflow matching	35.0	38.0	0	0
Equity investments	12.0	11.0	55.0%	75.4
Bonds	0	0	23.0%	18.4
Property	0	0	5.0%	4.8
Cash	(1.0)	(3.0)	17.0%	1.4
Target return portfolio	54.0	54.0	0	0
	100	100	100	100

## History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2010/11	2009/10	2008/09	2007/08	2006/07
	%	%	%	%	%
<b>Differences between the expected and actual return on assets:</b>					
• LPFA	(17.9)	(6.8)	15.9	(7.8)	0.0
• Lambeth	0.8	(24.3)	38.4	10.8	(0.3)
<b>Experience gains and losses on liabilities:</b>					
• LPFA	4.9	1.0	0.2	(1.7)	0.0
• Lambeth	(5.2)	0.4	(0.5)	2.1	(0.5)

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing London Borough of Lambeth's liabilities in the Lambeth pension fund by £142.9m, and in the LPFA by £5.3m, and has been recognised as a past service gain in accordance with the guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact on the General Fund or Housing Revenue Account.

## 17. Trust Funds

The Council acts as trustee for various funds including bequests and legacies, comfort funds and individual trusts. The main trusts are:

	Balance at 31 March 2010 £'000	Receipts & Revaluation in year £'000	Payments in year £'000	Balance at 31 March 2011 £'000
Adults' and Community Services	215	0	0	215
Housing, Regeneration and Environment	14	(5)	0	9
Children and Young People's Services	146	0	(56)	90
	375	(5)	(56)	314

The Adults' & Community Services funds are monies held on behalf of clients.

The Housing, Regeneration and Environment funds represent estates of the deceased.

The Children & Young People's Service funds are to fund prizes, outings and activities and monies held on behalf of children in care.

## 18. Events after the Balance Sheet Date

The Council is not aware of any post-balance sheet events.

## **NOTES TO THE MOVEMENT IN RESERVES STATEMENT**

### **1. Adjustments between Accounting Basis and Funding Basis under Regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The note is in the table overleaf.

2010/11 (i)	General	Housing	Capital	Major	Capital	Movement in
	Fund	Revenue	Receipts	Repairs	Grants	Unusable
	Balance	Account	Reserve	Reserve	Unapplied	Reserves
	£'000	£'000	£'000	£'000	£'000	£'000

**Adjustments involving the Capital Adjustment Account:**

Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:

Amortisation of intangible assets	0	0	0	0	0	0
Charges for depreciation of non current assets	(24,821)	0	0	(18,473)	0	43,294
Charges for impairment of non current assets	(43,424)	(344,651)	0	0	0	388,075
Revaluation losses on Property Plant and Equipment	0	0	0	0	0	0
Movements in the market value of Investment Properties	0	0	0	0	0	0
Capital grants and contributions applied	30,847	988	0	0	1,542	(34,963)
S106 and contributions applied	1,341	246	0	0	0	0
Movement in the Donated Assets Account	0	0	0	0	0	0
Revenue expenditure funded from capital understatute	(12,407)	(246)	0	0	0	12,653
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,476)	(6,247)	0	0	0	7,723
Amounts of revaluation reserve written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Adjusting amounts written out of the Revaluation Reserve	0	0	0	0	0	0
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances - MRP	12,532	0	0	0	0	(12,532)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances - CA	(2,573)	0	0	0	0	2,573

Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:

Statutory provision for the financing of capital investment	0	0	0	0	0	0
Capital expenditure charged against the General Fund and HRA balances	931	0	0	0	0	(931)

**Adjustments involving the Capital Grants Unapplied Account:**

Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	32,062	0	0	0	(32,062)	0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(29)	0	0	0	29	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	0

2010/11 (ii)	General	Housing	Capital	Major	Capital	Movement in
	Fund	Revenue	Receipts	Repairs	Grants	Unusable
	Balance	Account	Reserve	Reserve	Unapplied	Reserves
	£'000	£'000	£'000	£'000	£'000	£'000

**Adjustments involving the Capital Receipts Reserve:**

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,987	21,105	(26,092)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	25,409	0	0	(25,409)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(55)	(233)	288	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(2,422)	0	2,422	0	0	0
Transfer from Deferred Capital Receipts Reserve	(12)	(49)	61	0	0	0
Compulsary Purchase Order	(118)	0	118	0	0	0

**Adjustments involving the Deferred Capital Receipts Reserve:**

Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	(61)	0	0	61
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0

**Adjustment involving the Major Repairs Reserve**

Reversal of Major Repairs Allowance credited to the HRA	0	(11,627)	0	11,627	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	8,336	0	(8,336)

<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	100	821	0	0	0	(921)
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 3b)	101,527	(880)	0	0	0	(100,647)
Employer's pensions contributions and direct payments to pensioners payable in the year	38,110	730	0	0	0	(38,840)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	6,561	0	0	0	0	(6,561)
<b>Adjustment involving the Accumulated Absences Account</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	135	12	0	0	0	(147)
<b>Total Adjustments</b>	<b>141,797</b>	<b>(340,032)</b>	<b>2,145</b>	<b>1,490</b>	<b>(30,491)</b>	<b>225,093</b>



2009/10 (i)	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
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#### Adjustments involving the Capital Adjustment

##### Account:

Reversal of items debited or credited to the

Comprehensive Income and Expenditure Statement:

Charges for depreciation and impairment of non current assets	(40,457)	13,707	0	(20,430)	0	47,180
Revaluation losses on Property Plant and Equipment	(5,178)	(1,887)	0	0	0	7,065
Movements in the market value of Investment Properties	0	0	0	0	0	0
Capital grants and contributions applied	27,891	0	0	0	0	(27,891)
Amortisation of intangible assets	0	0	0	0	0	0
Amortisation of Government Grants Deferred	0	0	0	0	0	0
Capital grants and contributions applied	0	0	0	0	0	0
Movement in the Donated Assets Account	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(6,510)	(552)	0	0	0	7,062
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	(6,537)	0	0	0	6,537
Amounts of revaluation reserve written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Adjusting amounts written out of the Revaluation reserve	0	0	0	0	0	0

Insertion of items not debited or credited to the

Comprehensive Income and Expenditure Statement:

Statutory provision for the financing of capital investment MRP	12,890	0	0	0	0	(12,890)
Commutation adjustment	(3,036)	0	0	0	0	3,036
Capital expenditure charged against the General Fund and HRA balances	742	0	0	0	0	(742)
Statutory provision for Overhanging Debt Grant	0	11,791	0	0	0	(11,791)

#### Adjustments involving the Capital Grants Unapplied

##### Account:

Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	291	0	0	0	(291)	0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,325)	0	0	0	1,325	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	22,451	(22,451)

#### Adjustments involving the Capital Receipts Reserve:

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	21,515	(21,515)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	22,030	0	0	(22,030)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	(415)	415	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(1,273)	0	1,273	0	0	0
Transfer from Deferred Capital Receipts Reserve	0	0	0	0	0	0

2009/10 (ii)	General	Housing	Capital	Major	Capital	Movement in
	Fund	Revenue	Receipts	Repairs	Grants	Unusable
	Balance	Account	Reserve	Reserve	Unapplied	Reserves
	£'000	£'000	£'000	£'000	£'000	£'000

**Adjustments involving the Deferred Capital Receipts Reserve:**

Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3)	0	0	0	0	3
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0

**Adjustment involving the Major Repairs Reserve**

Reversal of Major Repairs Allowance credited to the HRA	0	20,511	0	(20,511)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	45,205	0	(45,205)

**Adjustments involving the Financial Instruments Adjustment Account:**

Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1,520)	(1,092)	0	0	0	2,612
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**Adjustments involving the Pensions Reserve:**

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 3b)	(42,345)	(877)	0	0	0	43,222
Employer's pensions contributions and direct payments to pensioners payable in the year	36,925	783	0	0	0	(37,775)

**Adjustments involving the Collection Fund Adjustment Account:**

Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,334)	0	0	0	0	1,334
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**Adjustment involving the Accumulated Absences Account**

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(416)	50	0	0	0	367
Other Gains			218			(218)

<b>Total Adjustments</b>	<b>(24,658)</b>	<b>56,997</b>	<b>2,421</b>	<b>4,264</b>	<b>23,485</b>	<b>(62,575)</b>
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## 2. Usable Reserves

	31 March 2011	31 March 2010
	£'000	£'000
General Fund	(28,965)	(28,716)
LMS Balances	(12,052)	(14,485)
Earmarked Reserves	(63,988)	(66,987)
Housing Revenue Account	(696)	(48)
Capital Receipts Reserve	(28,824)	(30,969)
Capital Grants Unapplied Account	(49,398)	(18,907)
Major Repairs Reserve	(599)	(2,089)
<b>Total Usable Reserves</b>	<b>(184,522)</b>	<b>(162,201)</b>

### 2a. LMS Balance

	2010/11	2009/10
	£'000	£'000
<b>Balance at 1 April</b>	<b>(14,485)</b>	<b>(16,244)</b>
Overspent School Balances	5,285	4,510
Underspent School Balances	(3,780)	(2,751)
	<b>(12,980)</b>	<b>(14,485)</b>
Adjustment for Schools becoming Academies		
Durand JMI School	172	0
Stockwell Park School	756	0
<b>Balance at 31 March</b>	<b>(12,052)</b>	<b>(14,485)</b>

## 2b. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

Reserve	Balance at 31 March 2010 £'000	Transfers in £'000	Transfers out £'000	Balance at 31 March 2011 £'000
<b>Revenue Reserves</b>				
2011 census	(1,000)	0	977	(23)
ACS transformation fund	(2,760)	0	2,760	0
Carbon Trading Scheme	(2,000)	0	0	(2,000)
CCTV renewals reserve	(782)	0	248	(534)
Civil emergencies fund	(1,000)	0	0	(1,000)
Community children's services - rent etc. new accommodation	(320)	0	0	(320)
Concessionary fares - future increases	(1,949)	0	0	(1,949)
Dilapidations	(3,500)	0	0	(3,500)
Earmarked capital reserve	(3,000)	(4,000)	94	(6,906)
Earmarked carry forwards	(1,215)	(417)	1,270	(362)
Earmarked grants reserve	(13,176)	(5,016)	6,676	(11,516)
Earmarked sustainability fund	(1,000)	0	0	(1,000)
Henry Fawcett Primary School	(320)	0	77	(243)
Insurance fund - GF	(2,713)	(2,387)	0	(5,100)
Insurance fund - HRA	(140)	(2,260)	0	(2,400)
Invest To Save fund	(6,755)	(561)	373	(6,943)
Legislation pressures - front line services	(42)	0	42	0
Litigation fund	(521)	0	0	(521)
One-off capital investment fund	(1,800)	0	1,800	0
Oracle and financial systems	(3,325)	0	259	(3,066)
Pension fund	(5,000)	0	5,000	0
PFI smoothing reserve	(2,288)	(92)	273	(2,107)
Popes Road car park	(850)	0	437	(413)
Public Realm - South Bank	0	(1,000)	0	(1,000)
Public Realm - winter demand	0	(1,000)	0	(1,000)
R & M sinking fund	(2,000)	0	2,000	0
Renewal programme - roads and pavements	(700)	0	700	0
Reorganisation reserve	(5,000)	(3,103)	0	(8,103)
Section 117	(885)	0	485	(400)
Transformation fund	(1,450)	0	306	(1,144)
Transitional funding 11/12	0	(1,295)	0	(1,295)
Two-year limited revenue (Adjustment A)	(905)	0	645	(260)
Accumulation of smaller earmarked reserves	(593)	(659)	372	(880)
<b>Total revenue reserves</b>	<b>(66,989)</b>	<b>(21,790)</b>	<b>24,794</b>	<b>(63,985)</b>

2009/10	Balance at 31 March 2009 £'000	Transfers in £'000	Transfers out £'000	Balance at 31 March 2010 £'000
<b>Revenue Reserves</b>				
2011 census	(1,000)	0	0	<b>(1,000)</b>
ACS transformation fund	0	(2,760)	0	<b>(2,760)</b>
BSF	(1,471)	0	1,471	<b>0</b>
Carbon Trading Scheme	(2,000)	0	0	<b>(2,000)</b>
CCTV renewals reserve	(781)	0	0	<b>(781)</b>
Civil emergencies fund	(1,000)	0	0	<b>(1,000)</b>
Community Children's Services - rent etc new accommodation	(320)	0	0	<b>(320)</b>
Concessionary fares - future increases	(1,949)	0	0	<b>(1,949)</b>
Dilapidations	(3,500)	0	0	<b>(3,500)</b>
Earmarked capital reserve	(2,250)	(750)	0	<b>(3,000)</b>
Earmarked carry forwards	(7,200)	(1,215)	7,200	<b>(1,215)</b>
Earmarked grants reserve	(10,553)	(16,500)	13,877	<b>(13,176)</b>
Earmarked sustainability fund	0	(1,000)	0	<b>(1,000)</b>
Future Lambeth	(242)	0	242	<b>0</b>
GCSX hardware	(550)	(200)	750	<b>0</b>
Henry Fawcett Primary School	(500)	(90)	270	<b>(320)</b>
Insurance fund – GF	0	(2,713)	0	<b>(2,713)</b>
Insurance fund - HRA	0	(140)	0	<b>(140)</b>
Interest receivable smoothing reserve	(1,500)	0	1,500	<b>0</b>
Invest to Save fund	(8,450)	(87)	1,782	<b>(6,755)</b>
Legislation pressures - frontline services	(2,500)	0	2,458	<b>(42)</b>
Litigation fund	(550)	0	29	<b>(521)</b>
Losses on grant claims	(2,025)	0	2,025	<b>0</b>
One-off capital investment fund	(1,800)	0	0	<b>(1,800)</b>
Oracle and financial systems	(2,325)	(1,000)	0	<b>(3,325)</b>
Pension fund	(5,000)	0	0	<b>(5,000)</b>
PFI smoothing reserve	(2,727)	(40)	480	<b>(2,287)</b>
Popes Road car park	0	(850)	0	<b>(850)</b>
R & M sinking fund	(2,000)	0	0	<b>(2,000)</b>
Renewal programme - roads and pavements	(2,200)	0	1,500	<b>(700)</b>
Reorganisation reserve	0	(5,000)	0	<b>(5,000)</b>
Section 117	0	(885)	0	<b>(885)</b>
Single status reserve	(531)	0	531	<b>0</b>
Transformation fund	0	(1,450)	0	<b>(1,450)</b>
Two-year limited revenue (Adjustment A)	(1,810)	0	905	<b>(905)</b>
Accumulation of smaller earmarked reserves	(592)	(1)	0	<b>(593)</b>
<b>Total revenue reserves</b>	<b>(67,326)</b>	<b>(34,681)</b>	<b>35,020</b>	<b>(66,987)</b>

Resources were earmarked for the costs of the **2011 census**.

The **Adults' & Community Services transformation fund** was set up to enable the department to undertake transformational activity and manage unbudgeted pressures in 2010/11.

The **Building Schools for the Future reserve**, initially intend to support the revenue costs of the Building Schools for the Future programme, is no longer required.

The **Carbon Trading Scheme** reserve is to meet start-up costs associated with the scheme.

The **CCTV renewals reserve** exists to provide for the renewal and replacement of the Council's CCTV equipment.

The **civil emergencies fund** has been created to meet any extraordinary costs that occur due to an unforeseen event or an emergency.

**Community children's services** – rent and associated costs for an accommodation move for the essential relocation of the service, to cover three years' rent, rates etc. until 2012.

The **concessionary fares – future increases** reserve was created to meet the costs of future price increases.

The **dilapidations reserve** is to meet unforeseen costs arising from previous shortfalls in repairs and maintenance.

The **earmarked capital reserve** is to meet potential risks in the capital programme.

**Earmarked carry-forwards** are to finance expenditure that had been committed but not yet incurred as at balance sheet date.

The **earmarked grants reserve** has been created to provide funds for specific grant-funded projects.

The **earmarked sustainability fund** is to pump prime the implementation of the Sustainability Action Plan.

The **Future Lambeth** reserve contained a number of project risks. It is no longer required.

The **GCSX reserve** was created to meet the cost of hardware and local changes to provide an extranet connection between government departments and local authorities. It is no longer required.

A reserve has been set aside to deal with academic issues arising at **Henry Fawcett Primary School**.

**Insurance fund (GF and HRA)** – the actuary's report relating to 2009/10 identified potential liabilities for the authority and the reserve was created to cover uncertainty regarding the final settlement values. In 2010/11 the Council appointed new actuaries to undertake the annual assessment of its insurance fund liabilities and that actuary took a markedly different approach to the actuaries responsible for the 2009/10 report. This affected the level of both the insurance fund provisions and the reserves shown here.

The **interest receivable smoothing reserve** was set up to mitigate the impact on the General Fund for 2009/10 of the reduction in the level of interest receivable during 2008/09, which resulted in budget pressures going forward. This reserve is no longer required.

**Invest to Save fund** – resources set aside for initiatives which will deliver ongoing revenue savings.

The **legislation pressures reserve** was set up to meet potential cost pressures in the light of legislation and public enquiry outcomes such as the Laming report.

The **litigation fund** is set aside to enable the Council to obtain high-quality legal advice where circumstances require and where the cases in question could not reasonably be budgeted for.

The **losses on grant claims** reserve, which originally covered disallowed grant claims, is no longer required.

The **one-off capital investment fund** held resources set aside for a programme to run in 2009/10. It is no longer required.

The **Oracle and financial systems reserve** is for the cost of implementing the next major release of the Council's ERP solution and any associated costs.

The **pension fund reserve** was established to provide a source of funds to tackle any deficit on the pension fund identified during the actuarial valuation. It is no longer required.

The **PFI smoothing reserve** operates to even out the flow of income and payments over the life of the Council's PFI contracts.

The **Popes Road car park** reserve is to meet demolition costs in respect of the multi-storey car park.

The **Public Realm – South Bank reserve** is a new reserve to meet costs associated with increased footfall on the South Bank in 2011/12.

The **Public Realm – winter demand reserve** is a new reserve to meet unbudgeted costs arising from severe weather conditions.

The **repairs and maintenance sinking fund reserve** was created in 2009/10 to meet administrative building costs not covered in the base budget. It is no longer required.

The reserve for the **renewal programme – roads and pavements** held resources set aside for a programme to run in 2009/10. It is no longer required.

The **reorganisation reserve** is to meet one-off costs arising from the need to review the Council's structure in the light of reducing resources.

The **Section 117 reserve** was set aside for potential claims. In July 2002, the House of Lords upheld the judgment of the Court of Appeal and the High Court that local authorities had no power to charge for residential accommodation under Section 117 of the Mental Health Act 1983. This item was previously held as a provision but, as time passes, it becomes less likely that claims will be forthcoming.

The **Single Status reserve**, set aside against the potential costs of a pay and grading review, was redesignated as a provision in 2009/10.

The **transformation fund** has been set aside for smaller value feasibility and pump-priming schemes to facilitate the transformation of services.

The **transitional funding 11/12 reserve** is a new reserve to enable cultural, sports and community services to transform to a new service model.

**Two-year limited revenue (Adjustment A)** – revenue resources set aside to meet time limited initiatives.

An **accumulation of smaller earmarked reserves** under £500,000 are established for various minor miscellaneous purposes.

## 2c. Capital Receipts Reserve

	2010/11 £'000	2009/10 £'000
Balance brought forward 1 April	(30,970)	(33,390)
Capital receipts in year	(26,092)	(21,183)
Use of capital receipts in year		
Payment to CLG – Contribution to pooled capital receipts	2,422	1,273
Disposal costs	288	0
Compulsory Purchase Order	118	0
Correction of historic mortgage receipts	0	300
Financing of capital expenditure	25,408	22,030
<b>Balance carried forward 31 march</b>	<b>(28,826)</b>	<b>(30,970)</b>

## 2d. Capital Grants Unapplied Account

	2010/11 £'000	2009/10 £'000
Balance at 1 April	(18,907)	(42,392)
Grants transferred to the account in year	(33,038)	(291)
Grants applied to capital expenditure	2,547	23,776
<b>Balance carried forward 31 march</b>	<b>(49,398)</b>	<b>(18,907)</b>

## 2e. Major Repairs Reserve

	2010/11 £'000	2009/10 £'000
Balance brought forward	(2,088)	(6,352)
Brought forward funding	0	(17,378)
Transfer to HRA	11,627	(3,133)
Capital expenditure charged to reserve	8,336	45,205
Transfer from HRA equal to depreciation		
- on flats	(12,771)	(14,923)
- on bungalows	(131)	(88)
- on houses	(3,529)	(3,845)
- on other properties	(2,043)	(1,574)
	<b>(599)</b>	<b>(2,088)</b>

### 3. Unusable Reserves

	31 March 2011 £'000	31 March 2010 £'000
Revaluation Reserve	(247,896)	(229,059)
Pensions Reserve	476,766	745,893
Capital Adjustment Account	(1,144,382)	(1,508,193)
Deferred Capital Receipts	(799)	(860)
Financial Instruments Adjustment Account	4,382	5,303
Collection Fund Adjustment Account	(5,526)	1,035
Accumulated Absences Adjustment Account	4,407	4,554
<b>Total Unusable Reserves</b>	<b>(913,048)</b>	<b>(981,327)</b>

#### 3a. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment [and Intangible Assets]. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2010/11 £'000	2009/10 £'000
<b>Balance at 1 April</b>	<b>(229,061)</b>	<b>(169,010)</b>
Upward revaluation of assets	(88,835)	(81,892)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	61,657	13,705
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	0	0
Difference between fair value depreciation and historical cost depreciation	6,946	4,232
Accumulated gains on assets sold or scrapped	1,395	3,904
Amount written off to the Capital Adjustment Account	0	0
<b>Balance at 31 March</b>	<b>(247,898)</b>	<b>(229,061)</b>

#### 3b. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.



The movement in balances on the Pensions Reserve for both the Lambeth Pension Fund and Lambeth's share of the LPFA during the year are:

	LPFA £'000		Lambeth £'000		Total £'000	
	2010/2011	2009/10	2010/11	2009/10	2010/11	2009/10
<b>Deficit at Beginning of Year</b>	<b>30,922</b>	11,525	<b>714,971</b>	400,327	<b>745,893</b>	411,852
Net movement on Prior-Year figures due to changes in valuation basis	<b>0</b>	0	<b>0</b>	0	<b>0</b>	0
Actuarial (Gains)/Losses	<b>(21,407)</b>	18,335	<b>(108,233)</b>	310,192	<b>(129,640)</b>	328,527
Other Movements	<b>(5,066)</b>	1,062	<b>(134,423)</b>	4,452	<b>(139,489)</b>	5,514
<b>Deficit at End of Year</b>	<b>4,449</b>	30,922	<b>472,315</b>	714,971	<b>476,764</b>	745,893

### 3c, Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 1 to the MIR provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2010/11	2009/10
	£'000	£'000
<b>Balance at 1 April</b>	<b>(1,508,197)</b>	<b>(1,353,705)</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
· Charges for depreciation and amortisation of non current assets: General Fund	24,821	15,109
· Charges for depreciation and amortisation of non current assets: HRA	18,473	20,430
· Charges for impairment of non current assets: General Fund	36,757	2,518
· Charges for impairment of non current assets: HRA	785	1,053
· Revaluation losses on Property, Plant and Equipment: General Fund	6,667	36,033
· Revaluation losses on Property, Plant and Equipment: HRA	343,866	(12,873)
· Revenue expenditure funded from capital under statute: General Fund	12,653	6,510
· Revenue expenditure funded from capital under statute: HRA	0	552
· Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7,727	6,537
· Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,395)	(3,905)
Adjusting amounts written out of the Revaluation Reserve	(6,946)	(4,232)
<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>(443,408)</b>	<b>(67,732)</b>
<u>Capital financing applied in the year:</u>		
· Use of the Capital Receipts Reserve to finance new capital expenditure	(25,409)	(22,030)
· Use of the Major Repairs Reserve to finance new capital expenditure	(8,336)	(45,205)
· Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(23,686)	(27,891)
· Application of grants to capital financing from the Capital Grants Unapplied Account	(1,541)	(22,453)
· Application of grants to capital financing from the Capital Grants Receipts in Advance account	(9,735)	0
· Statutory provision for the financing of capital investment charged against the General Fund and HRA balances – Minimum Revenue Provision	(12,532)	(12,890)
· Statutory provision for the financing of capital investment charged against the General Fund and HRA balances – Commutation Adjustment	2,573	3,036
· Amounts paid by the First Secretary of State or the Secretary of State to the Public Works Loan Board as a result of disposal of housing land	0	(11,791)
· Capital expenditure charged against the General Fund and Housing Revenue Account balances	(242)	(742)
· Capital expenditure charged against the General Fund and Housing Revenue Account balances PFI & IFRIC12	(147)	0
· Capital expenditure charged against the General Fund and Housing Revenue Account balances (Reserves)	(542)	0
· Adjusting amounts written out to CAA - Write down of Government Grants Deferred	0	(82,263)
<b>Total capital financing applied during the year</b>	<b>(79,598)</b>	<b>(222,229)</b>
<b>Balance at 31 March</b>	<b>(1,144,392)</b>	<b>(1,508,202)</b>

### 3d. Deferred Capital Receipts Reserve (England and Wales)

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2010/11	2009/10
	£'000	£'000
<b>Balance at 1 April</b>	<b>(860)</b>	<b>(863)</b>
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<b>61</b>	<b>3</b>
Transfer to the Capital Receipts Reserve upon receipt of cash		
<b>Balance at 31 March</b>	<b>(799)</b>	<b>(860)</b>

### 3e. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over the next 16 years and to the HRA for the next nine years.

	2010/11	2009/10
	£'000	£'000
<b>Balance at 1 April</b>	<b>5,303</b>	<b>2,691</b>
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	<b>0</b>	<b>3,959</b>
Proportion of premiums incurred in previous financial years to be charged against the General Fund & HRA Balances in accordance with statutory requirements	<b>(921)</b>	<b>(1,024)</b>
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	<b>0</b>	<b>(323)</b>
<b>Balance at 31 March</b>	<b>4,382</b>	<b>5,303</b>

### 3f. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2010/11	2009/10
	£'000	£'000
<b>Balance at 1 April</b>	<b>1,035</b>	<b>(299)</b>
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	<b>(6,561)</b>	<b>1,334</b>
<b>Balance at 31 March</b>	<b>(5,526)</b>	<b>1,035</b>

### 3g. Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2010/11 £'000	2009/10 £'000
<b>Balance at 1 April</b>		
Settlement or cancellation of accrual made at the end of the preceding year	<b>(4,553)</b>	(4,187)
Amounts accrued at the end of the current year	<b>4,406</b>	4,553
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>(147)</b>	366
<b>Balance at 31 March</b>	<b>4,406</b>	4,553

# NOTES TO THE CASH FLOW STATEMENT

## 1. Operating activities

	2010/11		2009/10	
	£'000	£'000	£'000	£'000
<b>Net Surplus or (Deficit) on the Provision of Services</b>		<b>(136,608)</b>		<b>40,272</b>
<b><u>Adjust net surplus or deficit on the provision of services for non cash movements</u></b>				
Depreciation	80,836		57,913	
Impairment and downward valuations	343,587		8,137	
Amortisation	0		(4,057)	
Reductions in fair value of non PWLB Concessionary Loans	0		(18,328)	
Adjustments for effective interest rates	(1,136)		(178)	
Increase/decrease in provision for impairments/doubtful debts re: Loans & Advances	0		0	
Increase/Decrease in Creditors	(5,620)		(13,642)	
Increase/Decrease in Interest and Dividend Debtors	0		0	
Increase/Decrease in Debtors	11,583		15,478	
Increase/Decrease in Inventories	11		(8)	
Pension Liability	(139,487)		5,514	
Contributions to/(from) Provisions	(6,952)		(6,443)	
Provision for Equal Pay	0		0	
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	6,332		8,374	
Issuing of Council Mortgages relating to deferred capital receipts	0		0	
Carrying amount of short and long term investments sold	0		111,200	
		<b>289,154</b>		<b>163,960</b>
<b><u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u></b>				
Capital Grants credited to surplus or deficit on the provision of services	(10,021)		(9,816)	
Capital Grants and S.106 credited to surplus or deficit on the provision of services	(33,421)		(111,200)	
Premiums or Discounts on the repayment of financial liabilities	0		(26,206)	
cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(26,092)			
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(25,967)			
		<b>(95,501)</b>		<b>(147,222)</b>
<b>Net Cash Flows from Operating Activities</b>		<b>57,045</b>		<b>57,009</b>

## 2. Investing Activities

	2010/11	2009/10
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	(91,359)	(124,268)
Purchase of short-term and long-term investments	(34,503)	0
Other payments for investing activities	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	26,028	26,265
Proceeds from short-term and long-term investments	0	111,200
Other receipts from investing activities	11,774	12,024
<b>Net cash flows from investing activities</b>	<b>(88,060)</b>	<b>25,221</b>

## 3. Financing Activities

	2010/11	2009/10
	£'000	£'000
Cash receipts of short- and long-term borrowing	0	7,953
Council Tax and NNDR adjustments	5,014	(5,723)
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	0	0
Repayments of short- and long-term borrowing	(8,399)	(47,047)
Other payments for financing activities	0	-0
<b>Net cash flows from financing activities</b>	<b>(3,385)</b>	<b>(44,817)</b>

## 4. Operating Activities (Interest)

The cash flows for operating activities include the following items:

	2010/11	2009/10
	£'000	£'000
Interest received	1,536	7,898
Interest paid	(38,519)	(44,854)

## 5. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2011	31 March 2010
	£'000	£'000
Cash held by the Authority	32	37
Bank current accounts	(1,627)	(16,492)
Short-term deposits with building societies	36,410	85,673
<b>Total Cash and Cash Equivalents</b>	<b>34,815</b>	<b>69,218</b>

## HRA INCOME AND EXPENDITURE ACCOUNT

The Housing Revenue Account (HRA) is a statutory statement, which summarises the transactions relating to the provision, maintenance and management of the Council's housing stock. The Local Government and Housing Act 1989 required the ring fencing of the Account with effect from 1 April 1990, thereby prohibiting cross subsidy between the HRA and the General Fund. The Government introduced a new prescribed format for the HRA with effect from 1 April 2001. As of the 2006 SORP, the statutory HRA is now being split into two statements: the HRA Income and Expenditure Account, which is UK GAAP compliant, and the Statement of the Movement on the HRA Balance.

	Note	2010/11 £'000	2009/10 £'000
<b>Income</b>			
Dwelling rents		(110,982)	(110,697)
Non dwelling rents		(3,827)	(3,938)
Charges for services and facilities		(36,565)	(38,958)
Contributions Towards Expenditure		(29)	(1,185)
HRA Subsidy Receivable	8	0	(28,421)
Reduction in Bad Debt Provision		0	(89)
		(151,404)	(183,288)
<b>Expenditure</b>			
Repairs and maintenance		26,790	20,559
Supervision and management		74,800	80,115
Revenue expenditure financed by capital under statute - Charge	10	246	617
Revenue expenditure financed by capital under statute - Release of Grant	10	0	(66)
Rents, rates, taxes and other charges		4,495	4,486
HRA Subsidy payable	8	10,694	0
Depreciation of fixed assets	7	18,473	20,430
Impairment	7	0	(13,707)
Debt management expenses		113	108
Increase in bad debt provision		4,158	0
Increase In Insurance Provision		1,454	0
Reduction in accumulated absences provision		(12)	(50)
Sums directed by Secretary of State that are expenditure in accordance with UK GAAP		0	1,454
		141,211	113,946
<b>Net cost of HRA services per Authority Income and Expenditure Account</b>			
		(10,193)	(69,342)
HRA share of Corporate and Democratic Core		800	723
<b>Net cost of HRA services</b>		(9,393)	(68,619)
<b>HRA share of the operating income and expenditure included in the whole authority Income and Expenditure Account</b>			
Exceptional Item - Impairment	4	344,651	0
Interest payable and similar charges		19,765	20,877
Amortised premiums and discounts		0	5,017
Gain or Loss on disposal		(14,574)	(12,676)
Overhanging Debt Grant		0	(14,468)
Interest and investment income		(242)	(150)
Pensions interest cost & return on assets		412	616
S106		(246)	0
Capital Grants and Contributions		(988)	0
<b>Deficit / (Surplus) for the year on HRA services</b>		339,385	(69,403)

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. Analysis of the movement on the HRA balance:

	2010/11 £'000	2009/10 £'000
<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>		
Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	821	(1,092)
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with the Statutory HRA requirements.		
Exceptional item - Impairment	(344,651)	13,707
Capital Grants and Contributions	988	0
Revenue expenditure financed by capital under statute	(246)	(552)
S106 Reversal	246	0
Overhanging Debt Grant	0	11,791
Gain or Loss on disposal	14,574	12,676
Mitigation of accumulated absences provision	12	50
Net charges made for retirement benefits in accordance with IAS 19	(880)	(877)
<b>Items not included in the HRA Income and Expenditure Account but included in the Movement on HRA Balances for the year</b>		
Transfer to Major Repairs Reserve	(11,627)	20,511
Transfer to earmarked reserves	0	140
Employer's contributions payable to the Lambeth Pension Fund and retirement benefit payable direct to pensioners	730	783
<b>Net additional amount required by statute to be (debited)/credited to the HRA Balances for the year</b>	<b>(340,033)</b>	<b>57,137</b>

### 2. Housing stock

The Authority was responsible for managing a Housing Revenue Account stock of 25,823 properties as at 31 March 2011 compared with a total of 25,945 properties as at 31 March 2010.

	31 March 2011	31 March 2010
Flats	21,628	21,715
Houses	4,044	4,069
Multi-occupied	150	160
Shared ownership	1	1
<b>Total</b>	<b>25,823</b>	<b>25,945</b>

### 3. HRA assets

	31 March 2011 £'000	31 March 2010 £'000
<b>Operational properties</b>		
Land	520,414	532,649
Dwellings	897,179	1,220,125
Other properties	50,969	37,305
<b>Sub-total</b>	<b>1,468,561</b>	<b>1,790,079</b>
<b>Non-operational properties</b>		
Land	14,630	14,950
Commercial properties	21,265	21,486
Surplus	138	7,523
<b>TOTAL</b>	<b>1,504,594</b>	<b>1,834,038</b>



#### 4. Vacant Possession Value

The vacant possession value of dwellings within the HRA at 1st April 2010 was £5.480 billion which has been reduced to £1.370 billion to reflect social housing use.

There has been a material change in adjustment factors from 2005 and this is mainly due to the difference in yields. In 2005 a 1 per cent difference between the private and public sector was used. However this is no longer considered to accurately reflect the additional risk and liability the public sector landlords undertake when compared with private sector investors.

Results typically show a 13 per cent drop in the adjustment factor from 2005 levels. This will increase the discount to be applied to the Beacon Value when calculating Existing Use Value-Social Housing.

Adjustment factors for England		
	Adjustment factor	
Region	2005	2011
North East	51%	37%
North West and Merseyside	48%	35%
Yorkshire and the Humber	47%	31%
East Midlands	50%	34%
West Midlands	49%	34%
Eastern	46%	39%
London	37%	25%
South East	45%	32%
South West	44%	31%

#### 5. Major repairs reserve

	2010/11 £'000	2009/10 £'000
Balance brought forward	(2,088)	(6,352)
Brought forward funding	0	(17,378)
Transfer to HRA	11,627	(3,133)
Capital expenditure charged to reserve	8,336	45,205
Transfer from HRA equal to depreciation		
- on flats	(12,771)	(14,923)
- on bungalows	(131)	(88)
- on houses	(3,529)	(3,845)
- on other properties	(2,043)	(1,574)
	(599)	(2,088)

#### 6. Capital expenditure, financing and receipts

	2010/11 £'000	2009/10 £'000
<b>HRA capital expenditure</b>		
Works to dwellings	35,288	58,015
Other Land & Buildings	38	117
Vehicles, Plant & Equipment	2,552	1,561
Intangible Assets	159	91
REFFCUS	246	617
	38,283	60,401
<b>Financing of capital expenditure</b>		
Borrowing	17,447	30
Usable Capital Receipts	11,229	8,970
Major Repairs Reserve	8,336	45,205
Grants	1,271	6,196
<b>Total</b>	<b>38,283</b>	<b>60,401</b>

	2010/11 £'000	2009/10 £'000
<b>Capital Receipts</b>		
Dwellings	20,621	14,860
Land	304	5,050
Other properties	0	1,273
<b>Total</b>	<b>20,925</b>	<b>21,183</b>

## 7. Depreciation and impairment

	2010/11 £'000	2009/10 £'000
<b>Depreciation charged for the year</b>		
Operational assets		
- on flats	12,681	14,924
- on bungalows	131	88
- on houses	3,522	3,845
- on other properties	2,041	1,098
- on land	0	0
Non-operational assets		
- on flats	89	0
- on bungalows	0	0
- on houses	7	0
- on other properties	2	475
- on land	0	0
<b>Total Depreciation</b>	<b>18,473</b>	<b>20,430</b>

<b>Impairment charged for the year</b>		
Operational assets		
- on flats	197,942	16,458
- on bungalows	1,981	13
- on houses	45,040	586
- on other properties	447	405
- on land	99,653	16,828
Non-operational assets		
- on flats	0	5
- on bungalows	0	0
- on houses	0	0
- on other properties	0	3
- on land	0	0
	<b>345,063</b>	<b>34,298</b>

<b>Impairment losses reversed</b>		
Operational assets		
- on flats	(207)	(43)
- on bungalows	0	(1,910)
- on houses	(6)	(348)
- on other properties	(61)	(19,551)
- on land	(138)	(27,107)
Non-operational assets		
- on flats	0	(96)
- on bungalows	0	0
- on houses	0	0
- on other properties	0	(2)
- on land	0	0
	<b>(412)</b>	<b>(49,057)</b>
<b>Net Impairment</b>	<b>344,651</b>	<b>(14,760)</b>

## 8. Housing Revenue Account subsidy

	2010/11 £'000	2009/10 £'000
Major repairs allowance	(6,846)	(40,941)
Housing element	17,540	12,519
Subsidy due for the year	10,694	(28,422)
Subsidy limitation adjustment	0	1,455
<b>Subsidy payable / (receivable)</b>	<b>10,694</b>	<b>(26,967)</b>

## 9. Rent arrears

	2010/11 £'000	2009/10 £'000
Arrears as at 31 March	17,372	19,955
Provision for bad debts	(10,275)	(8,541)
<b>Collectable amount</b>	<b>7,097</b>	<b>11,414</b>

## 10. Revenue Expenditure Funded from Capital under Statute

There was a charge of £0.246m to the HRA in accordance with the provisions of the Code. This was financed by capital resources and accounted for by debiting the capital adjustment account and crediting the HRA balance and showing as a reconciling item in the Movement in Reserves Statement.

## 11. HRA share of contributions to the Pension Reserve

The HRA Income and Expenditure account has benefited from the Pension Reserve of £150k, as per proper practice. The impact of this on the HRA balance is nullified by means of a reversing entry in the Movement in Reserves Statement.

## COLLECTION FUND

		31 March 2011		31 March 2010	
	Note	£'000	£'000	£'000	£'000
<b>INCOME</b>					
Council Tax	1		(108,099)		(106,506)
National Non-Domestic Rates	2		(93,003)		(93,327)
Business Rate Supplement - Crossrail	3		(3,901)		0
Transfers from the General Fund			(29,318)		(28,280)
			<u>(234,321)</u>		<u>(228,113)</u>
<b>EXPENDITURE</b>					
Precepts and Demands					
Greater London Authority		32,126		31,825	
London Borough of Lambeth		<u>95,946</u>		<u>95,047</u>	
			128,072		126,872
National Non-Domestic Rates					
Payment to National Pool		92,513		92,844	
Cost of Collection Allowance		<u>491</u>		<u>483</u>	
			93,003		93,327
Business Rates Supplement – Crossrail					
Payment to National Pool		3,856		0	
Set-up Costs		25		0	
Cost of Collection Allowance		<u>21</u>		<u>0</u>	
			3,901		0
Provision for bad and doubtful debts			6,435		2,245
Additional provision for bad and doubtful debts			0		5,448
Release of bad debt provision			(3,421)		
Write-ons			(3,494)		0
Transfer to General Fund in respect of prior year					
Estimated Council Tax Surplus			0		0
Payments to preceptors re prior year estimated surplus			800		1,500
Greater London Authority			268		502
Adjustment – Community Charge			<u>0</u>		<u>0</u>
			<u>225,564</u>		<u>229,894</u>
<b>(SURPLUS) / DEFICIT FOR THE YEAR</b>			<u><b>(8,757)</b></u>		<u><b>1,781</b></u>
<b>MOVEMENT ON FUND BALANCE</b>					
Deficit / (surplus) brought forward 1 April			1,382		(399)
Movement for the year					
Council Tax			(8,757)		1,781
<b>(Surplus) / Deficit balance carried forward 31 March</b>			<u><b>(7,375)</b></u>		<u><b>1,382</b></u>

## NOTES TO THE COLLECTION FUND

### 1. Council Tax

Under the arrangements for Council Tax, each domestic property within the Council's area was assigned to one of eight valuation bands based on the estimated market value at 1 April 1991. The total number of dwellings in each band is then adjusted to account for discounts, exemptions and other expected movements in the year. The Council Tax is set for band D properties and the tax for other bands calculated as a proportion of the band D tax.

For the year ended 31 March 2011, the band D Council Tax was set at £1,235.11 based upon a tax base of 103,692 (for 2009/10, £1,235.11 based upon a tax base of 102,721.2) and included the £309.82 requirement of the Greater London Authority (£309.82 in 2009/10).

The table below shows the calculation of the Council Tax Base for 2010/11.

Valuation Band	Total no. of dwellings on valuation list	Total equivalent dwellings after adjustments	Ratio to Band D	Band D equivalents
A	4,744	3,775.5	6/9	2,517.0
B	32,218	26,171.8	7/9	20,355.8
C	38,467	32,602.0	8/9	28,979.6
D	27,658	24,222.5	9/9	24,222.5
E	13,149	11,830.3	11/9	14,459.2
F	8,500	7,720.8	13/9	11,152.2
G	5,255	4,817.0	15/9	8,028.3
H	633	531	18/9	1,062.0
O				
<b>TOTALS</b>	<b>130,625</b>	<b>111,671.1</b>		<b>110,777.0</b>
Adjustment for expected movements in property base				(1,913.6)
				<b>108,863.4</b>
Adjustment for collection rate				(5,171.0)
Tax base for Council Tax purposes				<b>103,692.4</b>

**2. National Non-Domestic Rates** are organised on a national basis. Central Government specifies an amount, 41.4p in 2010/11 (48.5p in 2009/10) as the standard multiplier and 40.7p as the small business rate-relief multiplier (48.1p in 2009/10). Subject to the effects of transitional arrangements local businesses pay rates which are calculated by multiplying their rateable value by this amount.

The Council is responsible for collecting rates due from the ratepayers in its area and then pays the proceeds into an NNDR pool administered by Central Government. Central Government then redistributes the sums paid into the pool back to local authorities' General Funds, on the basis of a fixed amount per head of population.

The NNDR income shown in the account for 2010/11 is based upon a total rateable value for the Council's area of £306.81m at 31 March 2011 (£228.2m at 31 March 2010).

### 3. Business Rate Supplements (BRS)

BRS were introduced by the Business Rate Supplements Act 2009 and related regulations and statutory guidance. A Business Rate Supplement is a non-exchange transaction, and as such is accounted for under *IPSAS 23 (International Public Sector Accounting Standard) Revenue from Non-Exchange Transactions (Taxes and Transfers)*.

London Borough of Lambeth (LBL) bills its ratepayers for the Crossrail BRS.

This income is not the income of the authority and is not included in the Comprehensive Income and Expenditure Statement. Amounts deducted from BRS income to meet administrative expenses are the authority's income and as such is included in the Comprehensive Income and Expenditure Statement.

The accounting statement shows

- Amounts required by statute to be credited to the Collection Fund statement i.e. income collectable in respect of Business Rate Supplements.

- And amounts to be debited to the Collection fund statement i.e. a) payments to levying authority's Business Rate Supplement Revenue Account and b) administrative costs.

The Greater London Authority (GLA – the Levying authority) has agreed that all requirements relating to BRS Crossrail will be met through the completion of the designated BRS 3 return.

#### 4. Share of balances between London Borough of Lambeth and Greater London authority

The Collection Fund Income and Expenditure Account is prepared on an accruals basis in accordance with changes introduced by the Code of Practice on Local Authority Accounting for 2009/10. The transactions of the Collection Fund are wholly prescribed by legislation.

Lambeth prepares its accounts as the major Billing agent with the requirement to include appropriate shares of the year end balances in both the Lambeth Council balance sheet and the balance sheet of our preceptor GLA. The apportionment is detailed in the table below.

	Total Collection Fund £'000	London Borough of Lambeth £'000	Greater London Authority (GLA) £'000
<b>Apportionment Basis</b>	<b>100.00%</b>	<b>74.92%</b>	<b>25.08%</b>
<b>Council Tax arrears</b>	<b>40,384</b>	30,255	10,128
<b>Impairment Allowance for doubtful debts</b>	<b>(34,015)</b>	(25,484)	(8,531)
<b>Council Tax overpayments and prepayments</b>	<b>(11,336)</b>	(8,493)	(2,843)
<b>Collection Fund (surplus)/deficit</b>	<b>(7,376)</b>	(5,526)	(1,850)
<b>Cash</b>	<b>12,344</b>	9,248	3,096

## PENSION FUND

PENSION FUND ACCOUNT	Note	2010/11		2009/10	
		£'000	£'000	£'000	£'000
Contributions And Benefits					
<i>Contributions:</i>					
From employers	7a	35,868		33,735	
From employees		8,408		8,136	
Transfers in		8,933		6,843	
Income re equivalent contribution scheme		9		8	
			53,218		48,722
<i>Benefits:</i>	7b				
Pensions		(33,092)		(32,147)	
Commutations and lump sum retirement benefits		(6,534)		(5,771)	
			(39,626)		(37,918)
<i>Leavers</i>					
Refunds to members leaving service		(33)		(51)	
Transfers out – Individuals		(10,494)		(6,177)	
State Scheme Premiums		(2)		(3)	
			(10,529)		(6,231)
Administrative And Other Expenses Borne By The Scheme	3		(856)		(791)
			(51,011)		(44,940)
<b>Net investments from dealings with members</b>			2,207		3,782
Returns on investments					
Income earned on investments	6	27,442		23,132	
Change in market value of investments		(21,892)		199,352	
Investment management expenses		(2,644)		(1,995)	
<b>Net return on investments</b>			2,906		220,489
Net (decrease)/increase in the Fund during the year			5,113		224,271
Opening net assets of the scheme			765,088		540,817
Closing net assets of the scheme			<u>770,201</u>		<u>765,088</u>

NET ASSETS STATEMENT	Note	Valuation	2010/11		2009/10	
			£'000	£'000	£'000	£'000
<b>Investment Assets</b>	12					
Fixed interest securities UK		Market Value		119,154		97,307
UK equities (shares) – quoted		Market Value		73,664		256,769
Overseas equities (shares) – quoted		Market Value		9,023		297,894
Index Linked Securities UK		Market Value		65,632		48,620
Cash Deposits				6,312		29,103
<b>Pooled Investment Vehicles</b>						
Pooled Funds		Market Value		9,348		0
Unit trusts		Market Value		419,908		9,476
UK unit trusts – property		Market Value		7,377		20,161
Private Equity		Market Value		27,948		22,241
Venture capital funds		Market Value		206		245
				<b>738,572</b>		<b>781,816</b>
<b>Current Assets</b>						
Futures – Forward contracts			0		246	
Investment income accrued			431		1,978	
Inland Revenue – tax claims			59		59	
Due from London Borough of Lambeth			0		6	
Cash at Bank			<b>52,577</b>		<b>0</b>	
				<b>53,067</b>		<b>2,289</b>
<b>Current Liabilities</b>						
Futures			0		(27)	
Inland Revenue			(10)		(25)	
Due to London Borough of Lambeth			<b>(21,428)</b>		<b>(18,965)</b>	
				<b>(21,438)</b>		<b>(19,017)</b>
<b>Net assets at 31 March</b>				<b>770,201</b>		<b>765,088</b>

Net Assets Reconciliation	2010/2011		2009/2010
	£'000		£'000
Net Assets at 1 April	765,088		540,817
Net new money invested	27,004		24,919
Change in market value of investments			
- Realised profit/(loss)	13,472		11,159
- Unrealised profit/(loss)	<b>(35,364)</b>		188,193
<b>Net Assets at 31 March</b>	<b>770,201</b>		<b>765,088</b>



## Movement in Investments

2010/11	At Cost £'000	Unrealised Profit / Loss £'000	At Market Value £'000
Balance at 1 April 2010	661,593	91,120	752,713
Purchases	173,143	0	173,143
Sales	(154,750)	0	(154,750)
Transfers In	387,004	0	387,004
Transfers Out	(403,958)	0	(403,958)
Change in market value of investments	0	0	0
- Realised Profit	13,472	0	13,472
- Unrealised Profit	0	(35,364)	(35,364)
	0	0	0
<b>Balance at 31 March 2011</b>	<b>676,504</b>	<b>55,756</b>	<b>732,260</b>

2009/10	At Cost £'000	Unrealised Profit / Loss £'000	At Market Value £'000
Balance at 1 April 2009	649,612	(97,073)	552,539
Purchases	325,212	0	325,212
Sales	(328,709)	0	(328,709)
Transfers In	67,535		67,535
Transfers Out	(63,216)		(63,216)
Change in market value of investments	0	0	0
- Realised Loss	11,159	0	11,159
- Unrealised Loss	0	188,193	188,193
<b>Balance at 31 March 2010</b>	<b>661,593</b>	<b>91,120</b>	<b>752,713</b>

Net Money Invested	2010/11 £'000	2009/10 £'000
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### Contributions and Benefits

#### Contributions:

From employers	35,868	33,735
From employees	8,408	8,136
Transfers in	8,933	6,843
Income re equivalent contribution scheme	9	8
Income earned on investments	27,442	23,132
	<b>80,660</b>	<b>71,854</b>

#### Benefits:

Pensions	(33,093)	(32,147)
Commutation and lump sum retirement benefits	(6,534)	(5,771)

#### Leavers

Refunds to members leaving service	(33)	(51)
Transfers out – Individuals	(10,494)	(6,177)
State Scheme Premiums	(2)	(3)

Administrative And Other Expenses Borne By The Scheme  
Investment Management Expenses

(856)	(791)
(2,644)	(1,995)
<b>(53,656)</b>	<b>(46,935)</b>
<b>27,004</b>	<b>24,919</b>

### Net Money Invested

## NOTES TO THE PENSION FUND

### 1. Basis of Preparation

The accounts have been compiled in accordance the CIPFA code of practice on local authority accounting in the United Kingdom 2010/11 and following the guidance in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised May 2007) ("the SORP"). The accounting policies have been drawn up in line with recommended accounting principles as specified in the Code of Practice on Local Authority Accounting and as disclosed below.

### 2. Operation and Membership of the Fund

The London Borough of Lambeth Pension Fund is a funded, defined benefit scheme. The objective of the fund is to provide secure future income for Council employees and employees of outside organisations, who have entered into an agreement with Lambeth for pension purposes. As at 31 March 2011 the outside bodies who had entered into agreement with Lambeth for pension are:- Age Concern Lambeth, Hyde Housing Association, Thorlands Action Group Ltd, Excel Care Holdings plc, Blenheim Gardens RMO, Metra Housing Co-operative, Research Machines plc, Wellington Mills Housing Co-op, PACCA TMO, Turners cleaning and support Company, Pitney Bowes and Community Trust Housing were admitted bodies: Evelyn Grace Academy, Lambeth Academy and Lambeth Living were schedule bodies and Metropolitan Housing Trust and United Resident Housing were combined admission bodies.

The Pension Regulations specify which employees are eligible for membership and the service that is reckonable for benefit purposes. They also set out various rules for payment of contributions, calculation of benefits and refunds, as well as arrangements for the transfer values to and from other funds and schemes. With the passing of the Social Security Act 1986, the compulsory requirement for membership was removed and employees now have the right to choose whether or not to be members.

Under current legislation, pension contributions qualify for full tax relief. The Fund is also contracted out of the Government State Second Pension Scheme, the effect of which is to slightly reduce the National Insurance Contributions paid by members of the Fund (except women still paying the reduced rate). The compulsory retirement age for both male and female contributors is 65; however, earlier retirement with payment of benefits can be made under certain circumstances.

Membership in the fund as at 31 March 2011 was made up of, 5,140 active members (5,115 in 2009/10) paid contribution to the fund; 6,581 pensioners (6,518 in 2009/10) were paid by the fund and there were 6,642 deferred pensioners (6,417 in 2009/10). The table below provides a breakdown:

Employer	Active	Deferred	Pensioner
<b>Administrative Body</b>			
London Borough of Lambeth	4741	6,510	6,536
<b>Scheduled Body</b>			
Lambeth Academy	33	31	1
Evelyn Grace Academy	11	5	0
Lambeth Living	308	43	17
<b>Admitted Bodies</b>			
Hyde Housing	4	15	10
Research Machines PLC	1	1	0
Metropolitan Housing Trust	2	3	2
Age Concern	1	4	6
Wellington Mills	1	0	0
United Resident Housing	6	1	0
Community Trust Housing	10	1	3
Excel Care	6	6	4
St Martins Community Partners	0	2	0
Metra Housing Co-Op	2	4	0
Ethelred TMO	1	9	0
Blenheim Gardens	8	2	0
Thorlands Action Group LTD	1	5	2
PACCA TMO	0	0	0
Turners Cleaning and Support	4	0	0
Pitney Bowes	0	0	0
<b>Total</b>	<b>5,140</b>	<b>6,642</b>	<b>6,581</b>

### 3. Fund Administration and Management

The Fund is administered in accordance with the Local Government Pension Scheme (LGPS) Regulations 1997 and the LGPS (management and Investment of Funds) Regulations 1998. Pension Fund administration (administrative expenses in the pension fund account) is carried out in house, while custodial arrangements and fund investment management is mainly outsourced to external investment managers (investment management expenses in the pension fund account) under the guidance of Lambeth's Pension Fund Investment Panel. The investment portfolio is managed by the fund managers under the Statement of Investment Principles laid down by the Council.

Administrative Expenses	2010/11 £'000	2009/10 £'000
<b>These comprise:</b>		
Pensions Administration	488	509
Pension Fund Administration	254	186
Additional Central Overhead Recharges (BVACOP)	114	96
	<b>856</b>	<b>791</b>

### 4. Accounting Policies

#### Accruals Concept

Unless otherwise stated, the accounts have been prepared on an accrual basis. The transfer values have been accounted on cash basis and the administrative expenses are based on actual spending for the year for the pension administration and pension fund administration. The basis of preparation is consistent with last year.

**Comparative information** has been disclosed as much as possible unless where comparative information is not available and it is impracticable to obtain or estimate in accordance with paragraph 104 of FRS 26.

#### Valuation of Investments

- Overseas securities and cash are translated into sterling using prevailing rates of exchange at the balance sheet date.
- Unlisted securities are valued by the fund managers at the year-end in accordance with generally accepted guidelines.
- Open future contracts are valued at fair value which is determined using the exchange prices at the net assets statement date.

#### Contributions

Contributions represent the total amount receivable from the various employers participating in the Fund in respect of their own contributions and those of their pensionable employees. The employers' contributions are made at rates determined by the Fund Actuary.

#### Benefits and Refunds

Benefits and refunds are accounted for in the year in which they become due for payment.

#### Transfer Values

Transfer values are those funds paid to or received from other pension schemes for individuals and relate to periods of previous pensionable employment. Transfer values received and transfer values paid are accounted for on a receipts and payments basis.

#### Administrative Expenses

Certain specific expenses have been charged directly to the Fund and other office expenses and related overheads have been charged to the Fund in proportion to staff head count. Salaries of the relevant officers have been charged to the Fund on the basis of actual time spent on investment and related matters and pension administration.

## Pension Increases

Under the Pensions (Increase) Acts, from 1 April 1990, pension increase payments (indexing of pension payments) are to be met from the Pension Fund. Prior to this date they were met from the General Fund.

## 5. Actuarial Valuation

The Fund's assets and liabilities are valued by an external actuary every three years. The latest valuation was carried out by Hymans Robertson & Co. as at 31 March 2010.

### Valuation Assumptions

The valuation method used was the Projected Unit Method. The following financial assumptions formed the basis of the valuation:

- Rate of price inflation at 3.3% per annum
- Rate of future pension increases at 3.3% per annum
- Rate of future pay increases at 5.3% per annum
- Discount rate at 6.1%.

At the last triennial valuation (31 March 2010), the scheme's assets were £765m and the actuarial value of the assets was sufficient to cover 72.5% of the benefits that had accrued to members, after allowing for expected future increases in earnings. In order to achieve 100% coverage by the end of the average expected working lifetime of the current contributors, an employer's contribution rate of 16.8% per annum of payroll, plus an additional £12.6m (increasing each year at 5.3% p.a.), based on the assumption that the deficit is funded over 20 years.

## 6. Investment Income

	2010/11	2009/10
	£'000	£'000
Interest Income	470	2,035
Dividends on Equities	11,988	18,378
Other receipts, capital movements and disbursements	89	(1,600)
Withholding Tax Refund	159	0
Un realised P&L on transfers	14,736	4,319
	<b>27,442</b>	<b>23,132</b>

## 7. Total Contributions

a) Contributions from Employers	2010/11	2009/10
	£'000	£'000
Normal	22,718	21,175
Deficit Funding	13,150	12,560
	<b>38,868</b>	<b>33,735</b>

In order to achieve 100% coverage by the end of the average expected working lifetime of the current contributors, an employer's contribution rate of 16.8% per annum of payroll, plus an additional £12.6m (increasing each year at 5.3% p.a.), based on the assumption that the deficit is funded over 20 years.

b) Total Contributions Received and Benefits Paid (2010/11)	Administering Body (Lambeth)	Scheduled Bodies	Admitted Bodies
	£'000	£'000	£'000
Contributions received	32,694	2,812	362
Benefits paid	39,506	120	0

## 8. Security Lending

As at 31 March 2011 the Fund had £2.25m collateral value of stock released to third parties under stock lending arrangement. Description of the related collateral is available on file.

## 9. Statement of Investment Principles

A copy of the statement of investment principles can be obtained by contacting the London Borough of Lambeth Pension Fund or via the corporate website [www.lambeth.gov.uk/pensions](http://www.lambeth.gov.uk/pensions).

## 10. Market Value of Assets and Proportion Managed by each Fund Manager

As at 31 March 2011, the total market value of the investments of the Fund was £732.2m (£752.7m as at 31 March 2010), of which 9.70% is managed by Aberdeen Asset Management, 16.25% by UBS Global Asset Management, 12.57% by Majedie Asset Management, and 57.54% in unit trust by various managers and the other managers invested the remainder in Venture Capital Funds and Property including an investment of £27.9m (3.82%) made in Private Equity with Adams Street Partners. The table below shows the breakdown of the investments at market value between the managers

Private Equity investment is valued at latest available estimated valuation - 31 March 2011. Overall, the Fund has committed 5% of the market value of the Pension fund to be invested in private equity.

	UK Equities	Pool Funds	UK Unit Trusts- Property	UK Fixed Interest	UK Fixed Interest Non Govt	UK Index Linked	Overseas Equities	Private Equity	Unit trust	Venture Capital Funds	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Aberdeen - Fixed	0	0	0	0	56,704	14,362	0	0	0	0	71,066
Adam Street	0	0	0	0	0	0	0	27,948	0	0	27,948
Baillie Gifford	0	0	0	0	0	0	0	0	97,513	0	97,513
Blue Crest	0	0	0	0	0	0	0	0	22,993	0	22,993
Invesco	0	0	0	0	0	0	0	0	79,996	0	79,996
Majedie	73,645	9,348	0	0	0	0	9,023	0	0	0	92,016
MFS	0	0	0	0	0	0	0	0	94,465	0	94,465
PAAMCO	0	0	0	0	0	0	0	0	55,174	0	55,174
Principal	0	0	0	0	0	0	0	0	33,463	0	33,463
RREEF	0	0	2,155	0	0	0	0	0	0	0	2,155
Standard Life	0	0	0	0	0	0	0	0	36,304	0	36,304
UBS	19	0	0	0	0	0	0	0	0	0	19
UBS - Bonds	0	0	0	27,971	34,479	51,270	0	0	0	0	113,720
UBS - Property	0	0	5,222	0	0	0	0	0	0	0	5,222
Deutsche Bank	0	0	0	0	0	0	0	0	0	206	206
<b>TOTAL</b>	<b>73,664</b>	<b>9,348</b>	<b>7,377</b>	<b>27,971</b>	<b>91,183</b>	<b>65,632</b>	<b>9,023</b>	<b>27,948</b>	<b>419,908</b>	<b>206</b>	<b>732,260</b>

## 10. Market Value of Assets and Proportion Managed by Each Fund Manager (Continued)

### a) Reconciliation between opening and closing value of investments

Investment Managers	Opening balance £'000	Purchases £'000	Sales £'000	Realised gain/(loss) £'000	Transfer in/out of Fund £'000	Unrealised gain/(loss) £'000	Closing balance £'000	Movement £'000
Aberdeen – Bonds	67,592	5,301	(2,791)	166	0	798	71,066	3,474
Aberdeen - Global	104,412	8,555	(4,708)	558	(85,679)	(23,138)	0	(104,412)
Adams Street	22,241	4,338	0	0	0	1,368	27,947	5,706
Alliance Bernstein	137,574	33,698	(32,523)	(102)	(119,546)	(19,101)	0	(137,574)
Baillie Gifford	0	0	0	0	82,051	15,463	97,514	97,514
Blue Crest	0	0	0	0	22,100	893	22,993	22,993
Invesco	0	0	0	0	76,836	3,160	79,996	79,996
Majedie	66,028	56,721	(37,772)	5,317	0	1,722	92,016	25,988
MFS	0	38	0	0	80,957	13,470	94,465	94,465
PAAMCO	0	0	0	0	51,500	3,674	55,174	55,174
Principal	0	0	0	0	36,760	(3,298)	33,462	33,462
RREEF	2,480	0	(189)	0	0	(136)	2,155	(325)
Standard Life	0	0	0	0	36,800	(496)	36,304	36,304
UBS	256,125	34,492	(62,090)	10,681	(198,734)	(40,456)	19	(256,106)
UBS-Bonds	78,335	30,000	(2,100)	113	0	7,373	113,721	35,386
UBS-Property	17,681	0	(12,577)	(3,261)	0	3,379	5,222	(12,459)
Venture capital	245	0	0	0	0	(39)	206	(39)
<b>TOTAL</b>	<b>752,713</b>	<b>173,143</b>	<b>(154,750)</b>	<b>13,472</b>	<b>(16,955)</b>	<b>(35,364)</b>	<b>732,260</b>	<b>(20,453)</b>

### b) Direct transaction costs

Fund Manager	£'000
Majedie	293
UBS	237
Alliance Bernstein	583
Aberdeen	261
<b>TOTAL</b>	<b>1,374</b>

Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment. An incremental cost is one that would not have been incurred if the scheme had not acquired or disposed of the investment. Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administration or holding cost. Indirect transaction costs are included in the amounts above as they are not separately provided to the Fund.

## 11. Additional Voluntary Contribution (AVC)

According to regulation 5(2) (C) of the Pension Scheme (Management and Investment of Funds) Regulation 1998, the Additional Voluntary Contributions are not included in the Pension Fund Accounts. The AVCs are invested separately and the table below shows the details, the contributions received and the value of the investments as at 31 March 2011.

Name	Total contribution (£'000)	Value of fund (£'000)
Prudential	346	736
Equitable Life	17	513
Clerical Medical	30	158
<b>Total</b>	<b>393</b>	<b>1,407</b>

## 12. Investments

At 31 March 2011, the Fund's 20 largest investments were:-

	2010/11		2009/2010	
	£'000	% of Fund	£'000	% of Fund
UBS Life UK 15 Year Index Linked Gilt Tracker Fund A Units	51,270	6.66	35,096	4.65
Aberdeen Core Plus Sterling Bond Fund 1-2 GBP ACC	36,041	4.68	22,353	2.96
UBS Life UK 15 Year Gilt Tracker Fund A Units	27,971	3.63	19,175	2.54
UBS Life Duration Neutral UK Long dated Corp Bond A UNITS	25,152	3.27	17,458	2.31
Aberdeen Fund Core Plus Sterling Credit Fund 1-2 GBP ACC	20,663	2.68	31,716	4.2
Aberdeen Fund Core Plus Index Linked Bond Fund 1-2 GBP ACC	14,362	1.86	13,524	1.79
Majedie Asset Management SPEC SITS INV B NAV	9,348	1.21	5,172	0.69
UBS Life Duration Neutral UK Corp Bond A UNITS	9,327	1.21	0	0
Royal Dutch Shell 'B'SHS EUR0.07	8,682	1.13	15,470	2.05
Vodafone Group ORD USD0.11428571	7,381	0.96	19,815	2.63
BP PLC ORD USD 0.25	6,960	0.90	20,502	2.72
GlaxoSmithKline ORD GBP0.25	6,804	0.88	13,865	1.84
UBS Life Real Estate Securities Fund A	5,222	0.68	0	0
HSBC Holdings ORD USD0.50(UK REG)	4,660	0.61	16,187	2.14
Astrazeneca ORD USD 0.25	3,662	0.48	0	0
Unilever PLC ORD GBP 0.003	3,635	0.47	0	0
BAE SYSTEMS ORD GP 0.025	3,231	0.42	0	0
Pearson ORD GBP 0.25	3,198	0.42	0	0
National Grid Plc new ORD GBP 0.11395	2,447	0.32	0	0
BG GROUP PLC ORD GBP 0.10	2,226	0.29	0	0
	<b>252,242</b>	<b>32.75</b>	<b>230,333</b>	<b>30.52</b>

The table below shows a detailed breakdown of the investments held by the Pension Fund (excluding cash) at the end of 2010/11 and 2009/10:

	2010/11		2009/10	
	£'000	£'000	£'000	£'000
<b>UK EQUITIES</b>				
<b>Resources</b>				
Mining	3,844		28,659	
Oil & Gas	9,186		46,863	
<b>Basic Industries</b>				
Chemicals	0		805	
Construction and building materials	166		1,631	
Diversified industrials	0		0	
Forestry and paper	0		216	
<b>General Industrials</b>				
General Industrial	135		0	
Industrial Engineering	364		0	
Aerospace and defence	3,652		6,700	
Electronic and electrical equipment	0		1,239	
Engineering and machinery	0		3,159	
<b>Cyclical Consumer Goods</b>				
Automobiles and parts	0		858	
Household goods and textiles	0		713	
<b>Non-Cyclical Consumer Goods</b>	0			
Beverages	0		5,363	
Food producers and processors	0		8,599	
Health	1,536		217	
Pharmaceuticals	10,466		21,157	
Personal care and household products	256		0	
Tobacco	0		9,337	
<b>Cyclical Services</b>				
General retailers	2,908		5,449	
Leisure, entertainment and hotels	1,450		4,761	
Media and photography	3,697		8,037	
Support services	5,047		8,904	
Transport	0		2,941	
<b>Non-Cyclical Services</b>				
Food and Beverage	3,635		8,435	
Telecommunication services	7,611		20,242	
<b>Utilities</b>				
Electricity	1,333		1,859	
Gas Water & Multi-utilities	3,795		6,293	
<b>Financials</b>	0			
Banks	5,156		31,235	
Insurance	3,445		2,621	
Life assurance	1,084		5,904	
Real estate	391		2,520	
Financial General	2,708		7,249	
<b>Information Technology</b>	0			
Information technology hardware	747		1,111	
Software and computer services	1,051		3,693	
<b>Total UK Equities</b>		73,663		256,769



	2010/11		2009/10	
	£'000	£'000	£'000	£'000
<b>POOLED INVESTMENT VEHICLES</b>				
Pooled Funds	9,348		9,476	
Unit Trust	339,912		0	
Overseas Unit Trust	79,996		0	
<b>Total Unit Trusts</b>		<b>429,256</b>		<b>9,476</b>
<b>OVERSEAS EQUITIES</b>				
United States	341		101,704	
Japan	0		36,280	
Europe	8,682		89,231	
Pacific Region	0		37,797	
Developing markets	0		32,882	
<b>Total Overseas Equities</b>		<b>9,023</b>		<b>297,894</b>
Fixed Interest Securities UK – Public Sector quoted	27,971		19,175	
Fixed Interest Securities UK – Corporate quoted	91,183		78,132	
Index Linked Securities UK – Corporate quoted	65,632		48,620	
UK Unit Trusts - Property	7,377		20,161	
Private Equity	27,948		22,241	
Venture Capital Funds	206		245	
<b>Total Value of Investments</b>		<b>732,260</b>		<b>752,713</b>

During the year the Fund purchased investments totalling £173.2m (2009/10 - £325.2m) and sold investments to the value of £154.7m (2009/10 - £328.7m). The realised profit amounted to £13.5m (2009/10 £11.2m Profit).

### 13. Related Party Transactions

Information in respect of material transactions with related parties is disclosed within the Pension Fund accounts. During the year, no trustees or Council Chief Officers with direct responsibility for the Pension Fund have undertaken transactions with the Pension Fund.

### 14. IFRS Recognition

Under paragraph 6.5.2.9 of the IFRS Code - IAS 26 requires the 'actuarial present value of promised retirement benefits' to be disclosed. The information is included in the accompanying actuarial report.

## A GLOSSARY OF LOCAL AUTHORITY FINANCIAL TERMS AND ABBREVIATIONS

For the purposes of compiling the Statement of Accounts the following definitions have been adopted:

### **Accruals**

The accruals concept means that income and expenditure are recognised as they are earned or incurred and not as money is received or paid. For example, if an invoice relating to March 2011 is expected to arrive in April 2011, it will be accounted for in the 2010/11 accounts (the financial year it relates to), not the 2011/12 accounts (the financial year it arrives in.)

### **Acquired operations**

A business or a service taken over as a going concern by the authority. Income and expenditure directly related to acquired operations shown separately on the face of the Income and Expenditure Account.

### **Balances**

The non-earmarked capital or revenue reserves of an authority, made up of the accumulated surplus of income over expenditure on the General Fund and the Housing Revenue Account. Revenue balances may be utilised to provide for unforeseen circumstances or to ensure that payments can be made pending the receipt of income, and may be used to reduce the Council Tax levy.

### **Balance sheet**

This statement is fundamental to the understanding of an authority's financial position at year end. It shows:

- the balances and reserves at an authority's disposal
- long-term indebtedness (which is over one year)
- the fixed and net current assets employed in its operations
- summarised information on the fixed assets (items that are held for more than one year) by category

### **Budget**

The Council's aims and policies set out in financial terms, against which performance is measured. Both capital and revenue budgets are prepared.

The **revenue** budget is a financial statement of planned expenditure required to deliver the Council's policies over the financial year. It is illegal for us to budget in excess of available resources.

The budget requirement is calculated in advance of each year. It is, broadly, our estimated net revenue expenditure as funded by Formula Grant and council tax.

### **Capital expenditure**

Expenditure for the purchase or improvement of significant assets including land, buildings, equipment, or even investments which will be of use or benefit in providing services for more than one financial year..

### **Capital receipts**

The proceeds from the sale of land, buildings and other capital assets. Strict rules govern their use: they cannot be used for revenue purposes.

### **The Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the accountancy body which represents at national level the interests of local government and public service finance. As well as awarding public sector specific accountancy qualifications the Institute also produces advice, codes of practice, and guidance to local authorities on best practice.

### **CIPFA Code of practice on Local Authority Accounting UK 2010**

Known familiarly as "the Code", this specifies the principles and practices of accounting required to prepare a Statement of Accounts which "presents a true and fair view" of the financial position and transactions of an authority. It replaces the Statement of Recommended Practice (SoRP).

### **Collection Fund**

A statutory fund used to record the billing and collection of council tax and non-domestic rates. Though it is independent of the General Fund, payments are made from it to support the General Fund services of the billing and precepting authorities (in our case, the London Borough of Lambeth and the Greater London Authority respectively) and to the national business rate pool.

## **Comprehensive Income and Expenditure Account**

A statement that reports the net cost for the year of all the functions for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from taxpayers. The most obvious difference from the Income and Expenditure Account (which, under IFRS, it replaces) is that it now includes the Statement of Total Recognised Gains and Losses (STRGL).

## **Condition**

With reference to grants, a condition typically means that the grant awarding body may ask for it back if it is not used for a stated purpose. This is not the same as a specific grant, which is given for a specific purpose but which may legally be spent on something else if the recipient sees fit.

Grants may either be “condition” or “no condition” – the nearest equivalent terms previously used were “ringfenced” and “non-ringfenced.”

## **Consistency**

The concept of consistency states that the accounting treatment of like items within an accounting period, and from one period to the next, is the same, to facilitate comparisons.

## **Contingent assets and liabilities**

A contingency is a condition which exists at the balance sheet date, the outcome of which depends on one or more uncertain future events and which cannot, therefore, be reliably or accurately estimated. Contingencies in our favour are called contingent assets; contingencies which, if realised, would incur a cost to the Council are called contingent liabilities. The concept of prudence dictates that we should be more cautious in including contingent assets in the accounts than contingent liabilities.

## **Corporate and Democratic Core (CDC)**

This is a category in the net cost of services in the Comprehensive Income and Expenditure Statement. It incorporates the following sub-divisions, the activities of which cannot be charged to services under the Service Reporting Code of Practice for Local Authorities:

- Democratic Representation and Management costs – includes all aspects of Members’ activities including corporate, programme and service policy making, general governance and representing local interests
- Corporate Management costs – concerns those activities which provide the infrastructure which allows services to be provided, whether by the Authority or not, and the information required for public accountability

## **Creditors**

A party to whom the Council owes money at year end for goods and services supplied in year.

## **Current liabilities**

Those amounts which will become payable or could be called upon within the next accounting period e.g. creditors and cash overdrawn.

## **Debtors**

A party owing money to the Council at year end for goods and services supplied in year supplied to them by the Council.

## **Depreciation**

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technological or other changes. It means that, rather than the whole cost of an asset being charged to revenue in the year in which it is acquired, the cost is spread out over the life of the asset. As such, it illustrates an application of the matching concept.

## **Discontinued operations**

An operation is classified as discontinued if all the following conditions are met:

- a) the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- b) the activities related to the operation have ceased permanently;
- c) the termination of the operation is material to the overall activity of the authority.

## **Employee costs**

Pay and associated costs, such as National Insurance and pension contributions.

### Exceptional items

Material items which derive from events or transactions that fall *within the ordinary activities of the authority* and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

### Extraordinary items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall *outside the ordinary activities of the authority* and which are therefore expected not to recur frequently or regularly.

### Fair value

The fair value of a fixed asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

### Fixed assets – intangible

Fixed assets are capital assets – that is, their usefulness is deemed to extend over two or more financial years.

### Intangible fixed assets

- are non-financial fixed assets (for example, they are not bonds or stocks)
- do not have a physical substance
- are identifiable
- are controlled by the Council through custody or legal rights

Examples are IT systems and software licences.

### Fixed assets – tangible

Fixed assets are capital assets – that is, their usefulness is deemed to extend over two or more financial years.

Tangible fixed assets are categorised as follows:

- **Operational assets** – Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.
- **Community assets** – Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples are parks and historic buildings.
- **Infrastructure assets** – Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.
- **Non-operational assets** – Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties and assets that are surplus to requirement, pending sale or redevelopment.

### Financial Reporting Standard (FRS)

A statement of the practice to follow in UK Generally Accepted Accounting Principles when dealing with a discrete area of financial accounting.

Most of these have now been superseded by International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS); but in some arenas, the previous standards remain in effect.

### Fund

A major division of the Council's accounts, for example the General Fund or the Collection Fund. It is sometimes also used in a different sense to designate an earmarked reserve.

### General Fund (GF)

This is our main revenue account and covers the day-to-day spending requirements of providing services. It is paid for out of our share of **council tax** and **Formula Grant**, specific grants and fees and charges. It also includes the cost of services provided by other bodies which make a **levy**. It is clearly segregated from the **Housing Revenue**

**Account** and from the cost of Locally Managed Schools.

### Going concern

The concept that the authority will remain in operational existence for the foreseeable future; in particular, that the revenue accounts and balance sheet are not based on the assumption of an intention to curtail significantly the scale of operations.

**Government grants**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets in return for past or future compliance with certain conditions relating to the activities of the authority.

**Gross expenditure**

The total cost of providing services before deducting any income.

**Housing Revenue Account (HRA)**

A statutory account which contains all expenditure and income to fund council housing - in effect, a landlord account. . It shows the major elements of housing revenue expenditure and how this is met by rents, subsidy and other income. The HRA must be kept entirely separate from the General Fund and the account must balance.

Local authorities are not allowed to make up any shortfall on the HRA from the General Fund, and any surpluses or deficits must be retained within the HRA. No costs may be charged to council tax or business rate (NNDR) income.

**International Accounting Standards (IAS)**

The earlier standards issued by the International Accounting Standards Committee (IASC) now superseded by the International Accounting Standards Committee (IASB).

**International Financial Reporting Interpretations Committee (IFRIC)**

the interpretative body of the International Accounting Standards Board (IASB) that reviews newly identified financial reporting issues not specifically addressed in IFRS or issues where unsatisfactory or conflicting interpretations have developed, or seem likely to develop, with a goal to reach a consensus on the appropriate treatment.

**International Financial Reporting Standards (IFRS)**

Principles-based Standards, Interpretations and the Framework adopted by the International Accounting Standards Board. While the standards themselves are not new – the first International Accounting Standard was issued in 1973 – the use of them in UK local authority accounting is, 2010/11 being the first full year of accounting under IFRS.

**Income**

Monies received or due from rents, fees and charges for services, specific grants and investment interest.

**Investments**

In the context of the Statement of Accounts, this term refers only to long-term investments which are intended to be held for use on a continuing basis in the activities of the authority. Where investments do not meet this criterion, they have been classified as current assets.

**Local Authority (Scotland) Accounts Advisory Committee (LASAAC)**

LASAAC develops and promotes proper accounting practice for local government in Scotland, where legislation means that separate interpretations of accounting standards may be required. As such, many CIPFA documents are jointly “badged” with LASAAC, even when they apply outside Scotland.

**Lease**

These can be either:

- **Finance lease** – a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee; such leases are recognised on the balance sheet
- **Operating lease** – a lease other than a finance lease, which is not recognised on the balance sheet.

The distinction between the two is the subject of an array of tests and is highly technical.

**Liabilities**

Those amounts which will become payable by the Council in the short or long term.

**Locally Managed Schools (LMS) balances**

Reflects the unspent balance of the delegated schools budget, i.e. the budget relating to those schools under local authority control (as opposed, for example to academies or free schools, which are directly funded by Government; or independent schools which are privately funded.)

**Long-term contracts**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service, where the time taken substantially to complete the contract is such that the contract falls into different accounting periods i.e. "straddles" two or more financial years.

**LSVT**

"Large Scale Voluntary Transfer" is the disposal of local authority housing stock to an existing or new Registered Social Landlord.

**Matching**

The matching concept says that expenditure and income transactions, including accruals, are matched with one another so far as their relationship can be established, or justifiably assumed, and dealt with in the period to which they relate.

**Materiality**

Financial statements often cannot be precisely accurate but that this need not detract from their ability to be fairly stated. Within certain limits, a tolerance is permitted in measurement and disclosure of financial statement items. The concept of materiality determines the acceptability of the degree of this tolerance.

**Movement In Reserves statement (MIR)**

This replaces the **Statement of Movement on the General Fund Balance (SMGFB)**, reconciling the Comprehensive Income and Expenditure account for the year with the authority's budget requirement, which is governed by statute and differs in certain key respects from accounting conventions.

**National Non-Domestic Rates (NNDR)**

A national rate, often familiarly called "business rates", levied on businesses by the Government and collected by local authorities on the Government's behalf. The total proceeds are redistributed between local authorities on the basis of the Government's relative needs formula for each authority.

**Net Book Value (NBV)**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**Net expenditure**

Gross expenditure for a service, less ("net of") directly related income.

**Net Realisable Value (NRV)**

The open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

**Post balance sheet event**

The occurrence of a material event between the balance sheet date and the date the accounts are authorised for issue, which might have a bearing on the financial results of the organisation. In such cases the event should be reflected in the Statement of Accounts as a note or amendment.

**Precept**

A charge on the Collection Fund by another public body (a precepting authority), determined by legislation. The Greater London Authority, for example, obtains some of its income by precepting the Collection Funds of the London boroughs. The billing authority is required to pay over the amount demanded on agreed dates.

**Prior year adjustments**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**Provisions**

A provision is required to be made and disclosed in the accounts for any liability or loss which, due to an event which has already occurred, is certain or likely to be incurred, but where there is uncertainty as to the amounts or the dates on which they will arise. As a result, it is often a matter of interpretation and careful judgement whether such an uncertainty should be disclosed (and accounted for) as a provision or simply included by way of a note as a contingent liability.

**Prudence**

The prudence concept states that revenue is not anticipated but is to be recognised only when realised in the form either of cash, or of other assets whose ultimate cash realisation can be assessed with reasonable certainty.

**Public Works Loans Board (PWLB)**

A statutory body operating within the United Kingdom Debt Management Office, which is an Executive Agency of HM Treasury. Its function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, primarily for capital projects, and to collect the repayments.

**Rateable Value (RV)**

The value of a business, assessed by the Valuation Office Agency, on which business rates are payable.

**Recharges**

The transfer of costs from one account to another; more generally, an internal charge for services provided by one part of the Council to another part, such as printing and accountancy services, to reflect more accurately the true cost of the services delivered to the public.

**Revenue Expenditure Funded From Capital Under Statute (REFFCUS)**

Expenditure which legislation classifies as capital but which does not result in the creation of fixed asset belonging to the authority. An example is where the Council pays an improvement grant in respect of a private sector dwelling; the work done is capital in nature, but the resultant asset does not appear on the Council's balance sheet because it belongs to the private freeholder. These were previously defined as deferred charges.

**Related Party Transactions**

The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

**Reserves**

Funds set aside to meet future expenditure which falls outside the definition of provisions. Reserves can be for general contingencies and to provide working balances, or earmarked for specific future expenditure.

Note that certain reserves are statutory in nature – for example, the Council is obliged to hold a revaluation reserve and its use is closely prescribed under the IFRS as interpreted for use in local government. The Council has no discretion in the existence or use of these reserves.

**Revenue expenditure and income**

The regular day to day running costs an authority incurs in providing services, as distinct from **capital** expenditure (under the Local Government & Housing Act 1989, all expenditure is regarded as revenue unless specifically classified as capital.) In a general sense, revenue expenditure (and income) arises from recurring items such as running services, interest, and annual debt repayments.

**Revenue Support Grant (RSG)**

A general grant paid by Central Government to local authorities as a component of Formula Grant (along with NNDR) to help them finance the cost of their services, distributed on the basis of Government's relative needs formula for each authority.

**Running expenses**

Regular revenue expenses other than employee costs; for example, costs related to premises, transport or supplies and services.

**Service concession arrangement**

An arrangement whereby a government or other public sector body contracts with a private operator to develop (or upgrade), operate and maintain the grantor's infrastructure assets, such as roads, bridges, tunnels, airports, energy distribution networks, prisons or hospitals. The grantor (i.e. the government or other public sector body) controls or regulates what services the operator must provide using the assets, to whom, and at what price, and also controls any significant residual interest in the assets at the end of the term of the arrangement

**The Service Reporting Code of Practice for Local Authorities (SeRCOP)**

From 2011/12 this is the new name for the Best Value Accounting Code of Practice (BVACOP) which, amongst other things, provides a standard categorisation for expenditure and income in local authority accounting to enable comparison between two or more organisations.

**Short-term Accumulating Compensated Absences Account (STACAA)**

The IAS 19 STACAA reflects a requirement under the interpretation of "IAS 19 Employee benefits" as it applies to local government, to provide each year for the likely charge to the accounts of the accrual for time off or wages owed to staff due to timing differences. A provision must be made for the estimated impact and an (unusable) reserve to hold any differences between the estimate and the actual impact.

**Statement of Movement on the HRA Balance**

Similar to the General Fund's **Movement In Reserves statement**, this reconciles the HRA Income and Expenditure account for the year with the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

**Statement of Total Recognised Gains and Losses (STRGL)**

Formerly a discrete financial statement bringing together all gains and losses experienced by the Council, this now forms the bottom part of the Comprehensive Income and Expenditure Statement.

**Statutory provision for the financing of capital investment**

Formerly known as the **Minimum Revenue Provision (MRP)**, this is the minimum amount that must be charged to a local authority's revenue account each year and set aside to provide for debt repayment or other credit liabilities.

**Substance over form**

The concept of substance over form requires that transactions and other events are accounted for and represented in financial statements with regard to their economic substance and financial reality rather than just their legal form.

**Useful Life (UL)**

The period over which the local authority expects to derive benefits from the use of a fixed asset and over which, typically, it will be depreciated.

**Work in progress**

The cost of the work completed on a project which remains unfinished at year end.